
**WRITTEN STATEMENT FOR THE RECORD BEFORE THE U.S. HOUSE
COMMITTEE ON SMALL BUSINESS**

**“LEVELING THE PLAYING FIELD: FOSTERING OPPORTUNITIES FOR SMALL
BUSINESS CONTRACTORS”**

September 10, 2025

John Arensmeyer
Founder & CEO, Small Business Majority

Dear Chair Williams, Ranking Member Velazquez and members of the House Committee on Small Business:

As a leading representative and advocate on behalf of America’s 36 million small businesses, Small Business Majority writes to provide written testimony on the importance of protecting and strengthening access to federal procurement opportunities for small businesses. While federal contracts represent a critical source of capital and opportunity for small businesses, recent actions taken to abruptly pause or outright cancel active contracts, combined with efforts to roll back key regulations that safeguard small business participation in the federal procurement system, threaten to severely harm the nation’s smallest contractors and further limit their ability to compete.

Small Business Majority is a national small business organization that empowers America’s entrepreneurs to build a thriving and equitable economy. From our 12 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America’s entrepreneurs, with a special focus on the smallest and most under-resourced businesses.

Small businesses continue to face barriers in accessing federal contract opportunities

For many small businesses, federal procurement opportunities provide a reliable, consistent revenue stream that helps them build a strong track record and secure additional opportunities for growth. However, navigating the federal procurement system is no easy feat, and small business owners face more difficulty in navigating this cumbersome process than larger, more established businesses. Due to the complexity of the federal procurement system, which is dominated by more established contractors, small businesses looking to break into the system require a great deal of guidance, mentorship and “knowing the right person at the right time” to obtain a contract that makes a real difference for their business.

A recent survey conducted by Small Business Majority found that the main barriers preventing small businesses from obtaining a contract, from either the federal government or larger companies, are that they don’t know where to find opportunities (26%), they don’t think their business would qualify (22%), and the high costs associated with pursuing a contract (12%).¹ Furthermore, 61% of businesses surveyed indicated that they do not have any form of procurement certifications, which can include certain SBA certifications like the 8(a) certification and Women-Owned Small Business (WOSB) certification that can help increase the likelihood of obtaining a federal contract.² Additionally, many small businesses simply

¹ “Voice of Main Street: Entrepreneurs struggle to access funding, support policies that increase availability of responsible capital.” Small Business Majority. April 30, 2025. <https://smallbusinessmajority.org/our-research/voice-of-main-street/entrepreneurs-struggle-access-funding-support-policies-increase-availability-responsible-capital>

² Ibid.

do not have the ability to cover the overhead costs that are associated with larger federal contracts, like purchasing new equipment or hiring additional staff. Our survey found that 29% of small businesses would be unable to cover expenses prior to receiving their first contract payment, while 34% were unsure and 37% said they would be able to cover expenses.

While small businesses can face several barriers in their pursuit of a federal contract, business owners in Small Business Majority's network have detailed, through conversations with our team, the following barriers to access.

- Procurement officers also often select vendors based on their familiarity, instead of taking a risk on a newer or smaller firm, locking new entrants out;
- Contract bundling has only increased since the onset of the COVID-19 pandemic, locking many small businesses out of opportunities;
- Cybersecurity requirements can be costly – oftentimes dwarfing the benefit of the contract itself; or
- A lack of outreach from coordinating or purchasing agencies to small businesses.

When examining the experiences shared above, paired our survey findings that indicate a general lack of awareness and understanding of the federal procurement system, it becomes clear as to why the number of small businesses receiving federal contracts has plummeted by 50% in the last 10 years.³ As the world's largest purchaser of goods and services, the federal government has the opportunity to expand access to capital and opportunity for millions of small, under-resourced businesses through federal contracts. However, more intentional actions and regulations must be implemented to ensure small businesses, particularly those that are minority- and or women-owned, can have a fair shot at competing for a federal contract.

The government can take various steps to ensure that small businesses can participate and thrive in the federal procurement system

The government is uniquely positioned to ensure that small businesses have a shot at gaining access to one of the most lucrative markets in the world. There are multiple proven tools that Congress and the administration can deploy to make this happen including increasing government-wide procurement goals and set-asides by small business concern (such as WOSBs, MBE, VBOC, or SDVOBs), expanding access to the Rule of Two across government contracts, streamlining the payments process, and bolstering resources within the government to prepare and guide small businesses for contract awards.

- **Set-aside programs and increasing the percentage of small business contractors in national procurement goals.** Set-aside and small business procurement goals are critical to the health of our contracting ecosystem for entrepreneurs. Programs like the 8(a) business development program in the SBA are critical to ensure maximum participation among small firms in our procurement supplier base. Unfortunately, programs like 8(a), while not perfect, are at risk for disinvestment in the coming years. For example, Small Business Majority was disappointed to see the SBA take recent action to decrease agency wide contracting goals for 8(a) contractors from 15% to 5%.⁴ If the SBA believes the 8(a) program has room for improvement to maintain a level playing field for all small business concerns, we urge the Committee to investigate how the SBA can bolster the 8(a) program to be more successful and efficient, rather than blindly decreasing contracting goals for trusted, tried and true programs that represent the foundation of small

³ "Hundreds of Small Businesses Endorse Velázquez's Protecting Small Business Competitions Act." House Committee on Small Business. July 9, 2025. https://democrats-smallbusiness.house.gov/uploadedfiles/protecting_small_business_competitions_act_of_2025_support_letter8268.pdf

⁴ "SBA Administrator Loeffler Issues Memo on Day One Priorities." U.S. Small Business Administration. February 24, 2025. <https://www.sba.gov/article/2025/02/24/sba-administrator-loeffler-issues-memo-day-one-priorities>

business procurement access for small businesses. We have seen many successful small businesses go through the 8(a) program and grow their business as a result, which is why it is more critical than ever to continue to invest in and maintain the program as opposed to weakening its impact. Likewise, small business set-asides are critical for entrepreneurs trying to break into the contracting space and ensuring that agencies are held accountable to reaching its set-aside goals will be key in any successful government wide procurement strategy.

- **Expanding the Rule of Two to Multiple Award Contracts and Contracts above the simplified acquisition threshold.** Expanding the Rule of Two would expand access to contract opportunities for small businesses that are able to offer a competitive advantage to the government and Congress should seek to expand this rule wherever possible. The Rule of Two states that if there is a reasonable expectation that two or more small businesses can complete a contract effectively and cost-efficiently, it should be reserved for small business concerns. We are in strong support of Ranking Member Velazquez bill, H.R. 2804 the *Protecting Small Business Competitions Act of 2025* as this bill would greatly expand access to contract opportunities valued over the simplified acquisition threshold, which today is \$250,000. Ensuring that contracts over this threshold are all subject to the Rule of Two will greatly expand the number of small firms in our contracting system.

The Rule of Two should also be applied to multiple award contracts (MACs) which was proposed in 2024 and is still pending. Small Business Majority submitted feedback on this rule, sharing that one of the key concerns among small business owners when it comes to federal contracting opportunities is their ability to compete and complete a large scale, multi-year contract, which many small firms are locked out of. The nature of procurement is simple: the federal government wants the best quality at the best price, but small businesses face challenges doing business with the government despite their ability to compete on quality and price. The Rule of Two provides a simple solution to unlocking competition in federal contracting. If the Rule of Two is expanded to MACs, small businesses will be able to demonstrate that they can do the work at the price and quality requested, and as the Rule of Two states, portions of MACs contracts will be set-aside for small business spending, allowing small businesses to utilize their certifications and programs to obtain this work. The expansion to task and delivery orders in MACs under the Rule of Two would greatly increase opportunities for smaller firms looking to grow their business by working with the government. Many small businesses who are interested in procurement are not nearly large enough to compete with some of the year-over-year incumbents in the contracting system which is why it's critical that SBA resume this rulemaking as soon as possible.⁵

- **Faster payments to smaller contractors and Prime Contractor accountability.** Small business owners have strict cashflow requirements and are not often able to compete for a contract based on how costly it would be to finance up front. The government should continue to work on a bipartisan basis to expedite the payments process for small businesses that have worked to complete a project efficiently and on time. Small Business Majority has supported efforts to not only streamline and expedite the payment process for subcontractors, but to provide smaller subcontractors with the ability to hold prime contractors accountable for late payments and the failure of utilizing their business services to fulfill a contract, as we outline in our comments to SBA in its pursuit of streamlining the financing aspect of procurement earlier this year. Since many small subcontractors operate on razor thin margins and may rely solely on any given contract opportunity for their quarterly or annual revenue, it is critical to ensure that prime contractors fulfill payment terms and utilization requirements in a timely manner which provides subcontracts with the financial certainty needed when operating a business. Small Business Majority supports the changes proposed by SBA and urges its swift implementation to incentivize

⁵ "Small Business Majority submits comments in support of proposed rule to expand federal procurement opportunities for small businesses." Small Business Majority. December 18, 2024. <https://smallbusinessmajority.org/policy/small-business-majority-submits-comments-support-proposed-rule-expand-federal-procurement-opportunities-small-businesses>

faster payments to subcontractors by placing more onus on the prime contractor through written notices of late payments and allowing subcontractors to more readily access a prime contractor's past performance rating. These critical improvements, along with the proposed changes to hold prime contractors accountable for meeting their subcontracting goals and allow first-tier subcontractors to request timely performance ratings, will create a more transparent and efficient procurement system that enables small businesses to grow and thrive using federal contracts.⁶

- **Bolstering small business procurement resources and personnel.** It is common for a small business owner to try their hand at the procurement system without ever getting in contact with the right people at the right time. The federal infrastructure created to support small contractors is not operating at similar speeds across various agencies. For example, navigating the General Services Administration can be cumbersome, challenging and frustrating. On the other hand, navigating procurement processes with smaller agencies and subagencies can be much easier. We strongly recommend that the Committee examine the strengths and weaknesses of small business procurement officers and the Offices of Small and Disadvantaged Business Utilization (OSDBUs) across various agencies to ensure that personnel are properly trained and resourced to provide the timely and knowledgeable support that small businesses desperately need. Lastly, Congress should work to fund and bolster programs that have shown historical success rates in helping smaller firms gain access to federal contracts, including the business centers within the Minority Business Development Agency (MBDA) which also assists thousands of small business owners across the nation, citing over \$2.6 billion in impact in federal contracts in FY24.⁷

The government should seek to minimize federal contract disruptions which have disproportionately impacted small businesses

Finally, small business owners have faced yet another recent and challenging barrier to their success in procurement – contract disruptions caused by federal funding fights, shutdown threats and the widespread hemorrhaging of government resources. A stated government-wide effort to eliminate “waste, fraud, and abuse” has resulted in the canceling thousands of federal contracts since January – ripping the rug out from under thousands of small businesses that rely on these contracts for income and work. In many cases, small businesses that have had their contracts canceled received no explanation for the termination other than that it was for the “convenience of the government.” Pursuant with other actions the administration and Congress have taken this year to slash government spending and resources, small businesses are once again feeling the disproportionate impacts of contract cancellations. According to the most recent analysis, contracts awarded to small businesses make up only 23% of the total number of contracts awarded, but account for 29% of the contracts terminated by the Department of Government Efficiency (DOGE) this year.⁸ While contracts awarded to minority-owned businesses account for just 10% of all federal contracts, they make up 19% of the contracts terminated and women-owned businesses have faced federal contract cancellations by DOGE at more than twice the rate at which they were awarded.

Small businesses from our network speak on contract barriers and disruptions. Below are stories from small businesses in Small Business Majority's network regarding their difficulties navigating the procurement system.

Lynn Petrazzuolo, CEO of the Avanti Corporation in Alexandria, VA: *“Avanti Corporation is an established government contracting firm that has been providing environmental analyses to federal agencies for over 30 years for the development and implementation of regulations and*

⁶ “Small Business Majority submits comments in support of proposed rule to improve payment processes and reporting requirements for subcontractors.” Small Business Majority. February 14, 2025. <https://smallbusinessmajority.org/policy/small-business-majority-submits-comments-support-proposed-rule-improve-payment-processes-and-reporting-requirements-subcontractors>

⁷ “About MBDA.” Minority Business Development Agency. 2024. <https://www.mbda.gov/about/impact>

⁸ “The Big Government Contracts DOGE Hasn't Touched.” The New York Times. March 4, 2025. <https://www.nytimes.com/interactive/2025/03/04/upshot/doge-musk-contracts-cuts.html>

programs that protect human health and the environment. We have supported the Environmental Protection Agency, the Department of the Interior, the National Oceanic and Atmospheric Administration, the US Army Corps of Engineers, and the National Institutes of Health at the National Institute for Environmental Health Sciences.

Avanti is a small business that has won contracts that have been set aside for small businesses and contracts that are open to all firms. Over our 30-year history we have provided \$50 million in services to federal clients through our prime- and sub-contracts. For several projects, Avanti has been supporting the same programs for over 20 years. Our institutional knowledge of regulatory programs and their histories are assets to our federal clients.

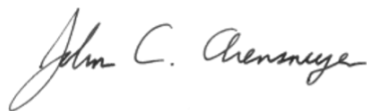
Since January 2025, Avanti has experienced the termination of \$903,834 in orders for work over 2025-26 that was competed for and won. This is not only impacting our ability to grow, but also affecting our ability to keep current staff employed. So far, Avanti has reduced from 30 to 27 staff, eliminated the work passed on to two subcontractors (one of whom had to shut down his business), and laid off three consultants. The terminated work would have benefited the agencies we work for, including work to responsibly develop offshore energy resources, examine or mitigate human health impacts in urban areas, and help permit writers at EPA streamline their efforts.”

Chasity Pritchett, owner of Emblem Olive Oil in Chesapeake, VA: *“Emblem Olive Oil’s mission is to provide high-quality, American-made extra virgin olive oil that promotes health, supports local economies, and ensures equitable access to nutritious food. In 2023, we were awarded a federal USDA contract to supply olive oil to Native American communities. This opportunity allowed us to grow our business, hire additional staff, expand production capacity and strengthen our role in supporting healthy food access for underserved populations. However, the sudden discontinuation of the olive oil solicitation this fiscal year has created a significant setback. Without this contract, Emblem faces challenges in maintaining payroll, sustaining operations, and continuing the community health initiatives that our business supports. This change not only impacts our company but also the communities that benefited from our product.”*

Shaunna Mozingo, owner of the Mozingo Code Group LLC in Denver, CO: *“About three-fourths of my business is either federal contracts or federally funded state contracts, all of which are on hold. I have no idea when they will be released because my clients also have a communication freeze that keeps them from being allowed to talk to us about it. I only had about 20 billable hours for February because all of my contracts were paused, so I had to hurry and try to find new contracts for future months. March was pretty bleak. At almost 60 years of age, it will likely make more sense for me to just go back to work for someone else than to keep trying to navigate this uncertainty.”*

We appreciate the Committee for holding this important hearing and its work to uplift the small business community. For any questions or additional information, please contact our Government Affairs Director, Alexis D’Amato, at adamato@smallbusinessmajority.org.

Sincerely,



John Arensmeyer
Founder & CEO
Small Business Majority