



Testimony for the Record

The Montgomery County Chamber of Commerce (MCCC)
GovConNet Council

House Committee on Small Business
Subcommittee on Contracting and Infrastructure Hearing

“Leveling the Playing Field: Fostering Opportunities for Small
Business Contractors”



September 10, 2025

The Honorable Nick LaLota
Chair
House Committee on Small Business
Contracting and Infrastructure Subcommittee
U.S. House of Representatives
Washington, DC 20515

The Honorable Gil Cisneros
Ranking Member
House Committee on Small Business
Contracting and Infrastructure Subcommittee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman LaLota, Ranking Member Cisneros, and Members of the Subcommittee,

The Montgomery County Chamber of Commerce (MCCC) GovConNet Council is pleased to submit the following testimony for the record. The Chamber would like to thank the Committee for its efforts to support small business contractors and holding this important hearing.

Montgomery County has the second highest total number of small businesses engaged in federal contracting in the country, creating tens of thousands of local, federal contracting jobs. A champion of federal procurement policy initiatives. MCCC's GovConNet Council promotes policies beneficial to federal contractors with an emphasis on small and midsize companies. Comprised of government contracting industry experts, the Council has worked extensively to move forward sound legislation and policies that are crucial to the success of the government contracting community. Below are policy changes we believe will greatly strengthen the industrial base and ensure maximum participation of small businesses.

Create A More Favorable Environment for Small Business Federal Contractors

Promote Accountability, Transparency, and Best Practices in Subcontracting

We believe that the government must work to promote accountability, transparency, and best practices in subcontracting. Amid a decline in awarding direct contracts and contract consolidation, it only makes sense that subcontracting is one of the best opportunities for small businesses to enter and grow in the federal market. The industrial base has significantly decreased over the past ten years – a 40% decline in the number of small businesses receiving prime contract awards. The strength of the industrial base is a concern to the entire federal contracting community, as well as civilian and defense agencies. Since the government does not have a relationship with subcontractors, small businesses have very little leverage to remedy this problem.

We believe Congress should adopt changes to the subcontracting ecosystem to expand the importance of subcontracting plan performance in agency evaluation of offerors and make



subcontracting plan performance, a more important factor in winning future work. Passed by the House in the 117th Congress, H.R. 7694, *Strengthening Subcontracting for Small Businesses Act of 2022*, contained key changes to ensure subcontractor success. We urge reintroduction of this important bill in the current Congress.

Codify the Rule of Two to Include Contracts above the Simplified Acquisition Threshold

We believe it is time for Congress to amend the Rule of Two to increase contracting opportunities for small businesses. We support H.R. 2804 and S. 2656, which codify the Rule of Two above the simplified acquisition threshold.

The Rule of Two is a cornerstone of small business contracting. It requires agencies to reserve contracts for small businesses whenever at least two can perform the work at a fair price. The courts have been unequivocal in affirming this standard, most notably in *Kingdomware Technologies, Inc. v. United States* and *Tolliver Group, Inc. v. United States*. In *Tolliver*, the Court of Federal Claims made clear that the Rule of Two applies to all acquisitions above the simplified acquisition threshold (SAT) of \$250,000. Yet current statute limits its application to procurements between the \$10,000 micro-purchase threshold and the SAT. This misalignment is significant: each year agencies award over 100,000 contracts above the SAT. Without consistent application of the Rule of Two, thousands of opportunities that should be set aside for small businesses risk being lost.

Congress should act to resolve this inconsistency. Updating 15 USC §644(j), §644(r), and §657s(a) to reflect judicial precedent will strengthen small business participation in the federal marketplace, create more competition, and ensure agencies are meeting both the letter and spirit of the law.

Eliminating the restriction that limits the Rule of Two to contracts under \$250,000 would require agencies to conduct the same market research for all procurements above the micro-purchase threshold. Agencies are already well-versed in performing such research, so this expansion would not create an undue burden on the acquisition workforce. Aligning the statute with established court rulings would give small businesses greater access to federal contracts, fostering innovation and providing federal buyers with enhanced flexibility.

Modernize Sole Source Thresholds

The Chamber supports ongoing Congressional efforts to raise all sole source thresholds to \$10 million and eliminate inclusion of option years, which would allow these amounts to be awarded each year. As government buying continues to trend toward buying through large contracting vehicles, recently reiterated by the FAR rewrite effort, and moving away from direct contracts, the ability for small companies to win sole source awards is more crucial than ever. The Chamber supports eliminating option years for sole source contracts instead of over the life of the contract.

We note an amendment to the House FY 2026 National Defense Authorization Act (NDAA), offered by Rep. Velázquez, proposed to make this much needed change.



Increase Utilization of Small Businesses to Counteract the Impact of Category Management

The Chamber also continues the effort to minimize the negative impacts of category management on small businesses. The overall number of small business vendors receiving awards for common products and services declined from 95,000 businesses in FY 2016, when category management began to be implemented, to 79,000 in FY 2019.¹ In FY 2024, only 5% of small business vendors were awarded best-in-class contracts.² According to Bloomberg Government, the count of active federal prime contractors fell 17.5% from 123,790 in FY 2016 to 102,047 in FY 2020. The Chamber remains dedicated to finding opportunities that ensure maximum participation of small businesses.

As GSA implements its OneGov initiative, it is important to ensure it does not become a more restrictive version of category management. While category management was intended to streamline procurement, in practice it has often limited opportunities for small and midsize businesses by consolidating buying power into fewer contract vehicles. If OneGov follows the same path – centralizing requirements and narrowing access – it risks amplifying these barriers. Instead, OneGov should prioritize transparency, broaden entry points for small businesses, and focus on simplifying acquisition processes without constraining competition.

While these proposals only tackle certain components of our procurement system, we believe they are necessary steps to strengthen the small business industrial base. Increased resiliency of small businesses benefits both taxpayers and the federal government, while supporting the job creators and critical employers across our country. We are eager to continue our work with the Committee to address these issues and look forward to working together to achieve solutions that will strengthen the industrial base.

Thank you for your continued commitment to the small business contracting community. Should you or your team have any questions or would like additional information, please do not hesitate to contact me at 301-738-0015 or by email at bashe@mcccmd.com.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Ashe".

Barbara Ashe, Executive Vice President
Montgomery County Chamber of Commerce

¹ <https://www.gao.gov/assets/gao-21-40.pdf>

² <https://d2d.gsa.gov/report/small-business-dashboard>