

Small-Business Contracting

Small businesses deserve a level playing field in the federal contracting marketplace

Small businesses infuse the federal procurement system with much-needed competition and provide high-quality goods and services to federal-contracting agencies—a recognition reflected in the objectives of the *Small Business Reauthorization Act of 1997*, which called for 23 percent of prime, federal contracts to be awarded to small firms.

Unfortunately, this goal remains unrealized. According to the fourth annual small business procurement scorecard from the U.S. Small Business Administration (SBA), small businesses received 21.89 percent of federal prime contracts in Fiscal Year 2009. While this represents a slight uptick from the previous year and translates into \$96.8 billion in prime contracts, the federal government once again failed to achieve the contracting goal the U.S. Congress set for it a decade ago.

Despite this failure, it is time to enhance the goal. America's small businesses—which comprise 99.7 percent of all employer firms in the U.S., employ half of all private sector employees, and are responsible for more than 50 percent of the country's private, non-farm gross domestic product—deserve their fair share of federal contracting dollars. NSBA supports increasing the federal government's contracting goal.

In addition to increasing the small-business contracting goal, NSBA urges Congress and the administration to pursue policies that eliminate fraud, ensure accurate and reliable data, end contract bundling, improve authority and oversight over contracting dollars, and provide appropriate treatment of subcontractors.

Elimination of Fraud: It is clear that too many federal contracts ostensibly awarded to small businesses actually go to large companies. To combat this fraud, NSBA urges prompt prosecution for companies found to have fraudulently claimed small-business status. NSBA also supports increased authority for the SBA to disbar large contractors that fraudulently identify themselves as small businesses.

Reliable Data: Although questions persist about the reliability of the data collected by the Office of Federal Procurement Policy, NSBA welcomes the efforts undertaken by the SBA to improve the quality and integrity of small-business contracting data. While recognizing that miscodings and errors will occur given the federal government's six million contracting actions a year, NSBA urges continued efforts to improve the reliability of federal procurement data.

Contract Bundling: Contract bundling remains a concern to America's small businesses. NSBA supports terminating the practice of contract bundling. NSBA also supports expanding the definition of the term to include any instance where two or more individual contracts are combined rather than only those instances where one of the contracts previously was performed by a small business.

Improved Oversight: In order to break-up bundled contracts and ensure agency compliance with existing contracting rules, NSBA supports increased oversight authority for the Office of Management and Budget. NSBA also supports an increased level of authority for the Office of Small and Disadvantaged Business Utilization or the establishment of a similar small-business focused contracting office within each agency.

Treatment of Subcontractors: As small businesses are frequently the recipients of subcontracts rather than prime contracts, NSBA supports codifying the timely payment of subcontractors and including payment history in the federal evaluation of all prime contractors. NSBA urges Congress to ensure appropriate treatment of subcontractors, including addressing Miller Act waivers. NSBA also supports the inclusion of the entire contract award when calculating the percentage of small-business subcontracts given out, not just those dollars that are subcontracted.