

Small-Business Contracting

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

Small businesses can 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. In 2005, the percentage of federal contracting dollars actually awarded to small businesses fell to a record low 17 percent, according to data released by Eagle Eye Publishers. This is unacceptable. NSBA urges Congress and the administration to pursue policies that encourage wide participation in government contracting, 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: Large businesses are far too frequently the real recipients and executioners of federal contracts ostensibly awarded to small businesses. The U.S. Small Business Administration's Office of Advocacy found that \$2 billion in federal contracts were incorrectly reported as being awarded to small business in FY 2002. Up to a third of the SBA's list of top 100 small business contractors in 2005 were actually large businesses, according to a report from Eagle Eye Publishers. 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: Questions abound about the reliability of the data collected by the Office of Federal Procurement Policy, as it has been demonstrated that a large number of contracts ostensibly awarded to small businesses in fact have been awarded to and carried out by large firms. The inexplicable exclusion of contracts carried out abroad or at the behest of the Transportation and Security Administration also distorts reality. *NSBA supports efforts to improve the reliability of federal procurement data and requests that all federal contracts be included in the government's calculations of small-business contracting.*

Contract Bundling: Contract bundling remains a concern to America's small businesses, despite President Bush's frequent criticism of the practice. *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 primes, *NSBA supports codifying the timely payment of subcontractors and including payment history in the federal evaluation of all prime contractors. 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.*