



The Honorable Nydia Velazquez
Chair
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velazquez:

On behalf of the National Small Business Association (NSBA), the nation's first small-business advocacy organization, with more than 65,000 small-business members representing every state and every industry across the country, I commend your leadership for championing legislation—at the start of the new Congress—that addresses small business contract bundling and expanding subcontracting opportunities. NSBA has long supported reasonable reforms and policies that promote and facilitate small business participation in the federal marketplace.

NSBA appreciates you introducing, at the start of the 116th Congress, the Incentivizing Fairness in Subcontracting Act (H.R. 227) which aims to expand small firms' involvement in the federal procurement marketplace. The bill allows large prime contractors to take credit for subcontracting to small businesses at lower tiers, provided that prime contractors keep records substantiating subcontracting credit claimed at lower tiers, and creates a new dispute process for small subcontractors to bring nonpayment issues to the agency's small business advocate (Offices of Small and Disadvantaged Business Utilization). NSBA supports this legislation as it also includes provisions to ensure prompt payment to subcontractors when work is completed and would require the Office of Small and Disadvantaged Business Utilization (OSDBU) at all federal agencies to develop a dispute process to resolve late payments from federal prime contractors to their subcontractors.

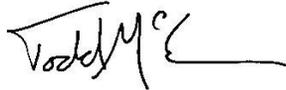
NSBA is pleased H.R. 227 will be considered on the House floor, as it protects small-business contractors by updating the subcontracting goal regime through increased flexibility and accountability. This legislation tackles an issue that is a cause of great concern for small subcontractors. Large prime contractors have a statutory obligation to develop and submit a subcontracting plan as part of their bid and proposal package. In this plan, prime contractors are required to outline their intention to award a certain percentage of subcontracting dollars to small businesses. Unfortunately, it has been a challenge to ensure that prime contractors are held accountable to these plans. Moreover, this measure addresses a recurring and widespread problem for some subcontractors, ensuring they are paid on time. Small businesses rely on a predictable and steady cash flow to finance their operations, thus, paying these suppliers in a timely manner will enable them to access working capital at lower costs and allow for increased opportunities for business growth and job creation.

In NSBA's 2016 Year-End Economic Report, nearly one-third of small-business respondents said they are currently engaged in the federal marketplace. Just under half of these respondents noted it takes on average, more than 30 days to receive payment from federal agencies, while 56 percent said it takes more than 30 days to receive compensation from prime contractors. By delaying payment, these small contractors often need to postpone other investments, projects, and business opportunities while they wait for the capital owed to them by the government and their primes. The perception of a lengthy payment schedule may also discourage potential innovative small businesses looking to enter the federal marketplace, which could negatively impact competition and drive up prices.

Further, thank you for reintroducing the Clarity on Small Business Participation in Category Management Act of 2018 (H.R. 226) which aims to bring more transparency to the federal procurement issue of "contract bundling" that often plagues small-businesses. This measure requires the Small Business Administration (SBA) to report federal spending made through designated "best-in-class" vehicles, and to report on the dollars spent through these vehicles awarded to small businesses. NSBA is pleased the bill would require the Federal Procurement Database System (FPDS) to include a field to indicate when a best in class contract is used. The legislation also would require the SBA to include information about the total amount of spending across the government on contracts designated as best in class and the amount spent on goods and services from certain small businesses in an existing annual report.

On behalf of NSBA and our more than 65,000 members, I would like to thank you for your diligent and indispensable efforts to extend the protections for small businesses involved in the federal procurement marketplace. We look forward to working with you to enact these critical pieces of legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken". The signature is stylized with a large, sweeping "M" and a long horizontal line extending to the right.

Todd McCracken
President & CEO