

April 2, 2014

The Honorable Buck McKeon
Chair
House Armed Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Adam Smith
Ranking Member
House Armed Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sam Graves
Chair
House Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velázquez
Ranking Member
House Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chair McKeon, Chair Graves, Ranking Member Smith and Ranking Member Velázquez:

On behalf of the small business community, thank you for your tireless efforts to improve the environment for our nation's nearly 30 million small businesses.

We are writing to bring to your attention the need for more data to evaluate the Comprehensive Subcontracting Plan Test Program (CSP Program) at the Department of Defense. The program's authorization expires at the end of 2014, requiring re-authorization in the FY2015 National Defense Authorization Act (NDAA). This serves as an opportunity to include much-needed data collection requirements that can identify the program's effectiveness in increasing subcontracting opportunity and ultimately aiding small businesses.

The pilot program, entering its 24th year, includes some of the country's largest contractors – in total accounting for a full fifth of government contract dollars in FY2012 and FY2013.¹ Given this enormity, ensuring that subcontracting opportunities are occurring appropriately is of importance. Currently, essentially no data is available on why this program is good for small business.

Considering the substantial role of subcontracting in small business procurement, and the size of participants in this program, we believe data on its effectiveness should be collected, its outcomes measured, and its future determined on its merits for the program participants, their subcontractors, and the Department of Defense.

¹ A recent total compiled through Bloomberg Government found participating companies were awarded contracting amounts of \$136 billion in FY2012 and \$125 billion in FY2013. Participants included are the 12 companies listed by the Department of Defense as cited: U.S. Department of Defense, Office of Small Business Programs. "Comprehensive Subcontracting Plan Test Program Participants." Accessed March 17, 2014. <http://www.acq.osd.mil/osbp/sb/initiatives/subcontracting/participants.shtml>

The CSP Program, established in 1989 (P.L. 101-189), began in 1990, with a goal to increase subcontracting opportunities for small businesses with large prime contractors. This goal is evident in the original Conference Report that notes how the program will be evaluated:

The conferees will assess the success of the program on the basis of whether small and small disadvantaged businesses' participation in the prime contractors' company-wide base results in an increase in business opportunities currently afford small and small disadvantaged business and whether prime contractors are providing significantly more work in areas that traditionally have not been made available to small and small disadvantaged businesses in the company-wide base.²

The Department of Defense website dedicated to this program notes an additional role: "An important aspect of the test program is that it offers significant opportunity to create a dialogue between DoD and program participants on major small business issues facing us all."³

We support government efforts to enhance subcontracting opportunities for small businesses. It is unclear, however, if this program has had that effect. Notably, reports on the program are lacking, despite its regular reauthorization.⁴ The only report we could identify, an April 2004 GAO report to the House Small Business Committee, made a data collection requirement recommendation in their analysis of the Defense Department's subcontracting measurements and the program.⁵ That report, now ten years old, found that, "Although the Test Program was started more than 12 years ago, DOD has yet to establish metrics to evaluate the program's results and effectiveness."⁶

The CSP Program continues to be re-authorized, though, to our knowledge, no increased methods of data collection have been included. In our view, programs should only be extended when they have demonstrated value and effectiveness. We believe that data is necessary to determine that effectiveness and the program's impact on subcontractors.

Subcontracting is a critical element of small business participation in the federal marketplace. Often, subcontracting is the gateway to procurement for small businesses. The government has long recognized the inextricable link between small business and subcontracting; this includes the establishment of a government-wide goal for subcontracting dollars to be awarded to small

² House Report No. 101-331 (Committee of Conference), p. 620 accompanying H.R. 2461 of the 101st Congress, 1st Session (1989). The Report also specifies (p. 619) that opportunities are supposed to "expand available participation in a broader range of subcontracting business opportunities, especially in the technical area."

³ U.S. Department of Defense, Office of Small Business Programs. "Comprehensive Subcontracting Plan Test Program." Accessed March 17, 2014. <http://www.acq.osd.mil/osbp/sb/initiatives/subcontracting/index.shtml>

⁴ Following its establishment in P.L. 101-189, the program has been expanded/extended six times: Section 811, P.L. 104-106; Section 822, P.L. 105-85; Section 817, P.L. 106-65; Section 843, P.L. 108-375; Section 863, P.L. 111-383; Section 866, P.L. 112-81 (the most recent consideration extended the program to December 31, 2014). A complete legislative summary is provided by the Department of Defense: <http://www.acq.osd.mil/osbp/sb/initiatives/subcontracting/index.shtml>.

⁵ U.S. General Account Office (2004). "DOD Needs Measures for Small Business Subcontracting Program and Better Data on Foreign Subcontracts." Accessed March 17, 2014. <http://www.gao.gov/assets/250/241954.pdf>. Recommendations can be found beginning on page 23. The Department of Defense concurred with the recommendations.

⁶ Ibid., 8.

businesses. As a note, we applaud the House Small Business Committee's recognition of this link and its efforts to raise that goal to 40% in the 113th Congress.

As the CSP Program is considered for its seventh re-authorization in the FY15 NDAA, we urge you to take this opportunity to obtain data on the program moving forward. Despite the program's longevity, we cannot find any data that suggests this is good for subcontractors and small businesses. We believe that the small business community would benefit from knowing.

Thank you for taking our views into consideration.

Sincerely,

American Institute of Architects
Business and Professional Women's Foundation
Minority Business RoundTable
National Small Business Association
National Women's Business Owners Corporation
Native American Contractors Association
Small Business & Entrepreneurship Council
U.S. Black Chambers, Inc.
U.S. Hispanic Chamber of Commerce
Women Impacting Public Policy