



"Solving the Unnecessary Contracting Cliff for Enterprises to Scale Successfully Bill" or the "SUCCESS Bill"

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Benefits to Federal Advanced Small Business Contractors and Engineers

As a current small business (SB) contractor for the Department of Defense, you are likely aware that current acquisition regulations hinder the growth and success of small businesses engaged in federal contracting. SBs who provide quality services are highly sought by federal agencies because of the shrinking number of firms who participate in this market. This often results in firms growing beyond their small business size standards. **Once a firm has reached this pinnacle of "success", a vast majority of them (more than 97%) never receive another federal contract.** This unintended consequence of the current small business acquisition policy is often referred to as the "contracting cliff" or the "valley of death" and is a well-documented contributing factor to the significant shrinking of the Defense Industrial Base (DIB) - nearly 40% over the last decade.

Those firms who are at or near their SB revenue thresholds are often referred to as "Advanced Small Businesses" (Advanced SBs). These firms tend to be dominant participants in the federal SB space due to their advanced bonding capacities, available resources and their success and knowledge in navigating the federal market. They often prevent new and emerging small businesses from successfully entering in the federal space and are resistant to "graduate" from small due to a 97.5% failure rate of continued growth beyond small in the market.

Advanced SB's often refrain from pursuing larger SB set-aside contracts they are otherwise capable of executing for fear of exceeding their revenue cap and falling off the "contracting cliff" to their ultimate demise. This phenomenon exacerbates the decline of competition for federal buyers and lends itself to further degradation of the DIB since new and emerging SBs are not yet equipped to succeed on the larger magnitude SB set-asides.

Enactment of this proposed legislation will result in a **path forward** for thriving federal construction and engineering SB contractors to continue their success beyond current size thresholds while also shoring up the shrinking DIB. Advanced SBs will be able to continue to grow and develop the past performance necessary to compete at the next levels in the federal construction and engineering market.

As currently proposed, the SUCCESS Act PILOT program legislation will allow concerns that have grown to exceed SB thresholds in construction (NAICS 236220) and engineering services (NAICS 541330) to participate in a one-time, seven year "transitioning" phase at their discretion. Once a firm has elected to enter the program, they will continue to qualify as small for contracts above a certain threshold (currently proposed at \$5M for construction and \$1M for engineering services). Transitioning SB revenues are capped at five times the current SBA thresholds in order to remain eligible.

Additionally, participating firms will be required to certify that they have met applicable activity targets and complied with restrictions on participating as Proteges in the SBA Mentor-Protégé programs. There are no restrictions for participating as a Mentor in the SBA Mentor-Protégé program.

To support this legislation, please sign the Call to Action petition at www.bit.ly/PILOTACTION