



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

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SMALL BUSINESS CONSTRUCTION AND ENGINEERING COALITION

Legislation Addressing Small Business Transition Issues and the DoD's Shrinking Industrial Base

WHO WE ARE:

The Coalition comprises small, medium, and large federal contractors in the engineering and construction industries. The twelve leading Coalition companies are AE Works, Apogee Consulting Group, Blue Cord Design & Construction, CMS Corporation, G.M. Hill Engineering, Guidon Design, G.M. Hill, MJ Engineering, Richard Group, Semper Tek, Spur Design, Valiant Construction, and WSP, who collectively have employees/offices across 42 US States and a combined 38,000 employees. The Coalition companies include members of the Associated Builders and Contractors, FL Association of Veteran Owned Businesses, Latino Business Action Network, Mid-States Minority Supplier Development Council, National Veteran Small Business Coalition, Society of American Military Engineers and the United States Hispanic Chamber of Commerce.

THE PROBLEM:

Federal contractors growing from small to other-than-small face ineligibility for set-aside contracts, additional compliance obligations, and head-to-head competition against billion-dollar companies. This occurs in an environment with increasingly fewer opportunities due to agencies' consolidation of contracting vehicles. These circumstances incentivize advanced small businesses to reject growth. Consequently, a very small fraction of small business federal contractors that outgrow their size standard successfully transition to other-than-small: Just 2.5 percent of small businesses awarded set-aside contracts in FY 2008 grew to become mid-sized by FY 2017, according to a 2019 GAO report.

This problem, referred to as the "contracting cliff," means there are very few mid-sized competitors serving the Federal Government, which, when combined with fewer new entrants to the small business program, has contributed to the shrinking of the industrial base. 2

THE SOLUTION:

The SUCCESS bill was introduced into the Senate by three Senators: Young (R-IN), Hickenlooper (D-CO), & Kelly (D-AZ); and into the House by Representatives Barr (R-KY-06), Crow (D-CO-06) & Luetkemeyer (R-MO-03).

This PILOT program permits certain concerns that grow to exceed NAICS Codes 236220 (commercial and institutional building construction) or 541330 (engineering services) to qualify as small for contracts above a certain dollar threshold during a one-time, seven-year transitional period. To participate, these firms need to certify that they have met applicable activity targets and complied with restrictions on participating as Proteges in the SBA Mentor-Protégé programs. This program will support small businesses as they transition to other-than-small, helping to bridge the industrial base gap.

REQUEST:

We ask that you support this legislation which was introduced as a stand-alone bill on December 21, 2022.

1See GAO, Federal Contracting: Awards to Mid-Sized Businesses and Options for Increasing Their Opportunities, GAO-19-523 (Aug. 2019) at 12, available at <https://www.gao.gov/assets/gao-19-523.pdf>.

2See Andrew P. Hunter & Samantha Cohen, New Entrants and Small Business Graduation in the Market for Federal Contracts, Ctr. for Strategic & Int'l Studies (2018), available at https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/181120_NewEntrantsandSmallBusiness_WEB.pdf?GoT2hzpdiSBjXUyX.IMMoHHerBrzZoEf; see also DOD OFF. OF THE UNDER SEC'Y OF DEF. FOR ACQUISITION & SUSTAINMENT, State of Competition within the Defense Industrial Base (Feb. 2022), available at <https://media.defense.gov/2022/Feb/15/2002939087/-1/-1/1/STATE-OF-COMPETITION-WITHIN-THE-DEFENSE-INDUSTRIAL-BASE.PDF>.