

February 14, 2025

Ms. Kunmi Ageh  
Procurement Policy Analyst (Attorney)  
Office of Policy Planning and Liaison  
U.S. Small Business Administration (SBA)  
409 3rd St SW  
Washington, DC 20416

*Re: Government Contracting: Subcontracting Program; 13 CFR Part 125, RIN 3245-A109*

Dear Ms. Ageh:

As a leading representative and advocate on behalf of America's 34 million small businesses, Small Business Majority writes to provide comments on the proposed rule issued by the Small Business Administration (SBA) to expedite the payment process for small business subcontractors and streamline the reporting process for prime contractors.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our 12 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

For many small businesses, federal contracts represent a critical source of capital, providing reliable streams of revenue and opportunities to grow and scale their business operations. However, navigating the federal procurement system is no easy feat, and small business owners face more difficulty in navigating this cumbersome process than larger, more established businesses. This is especially evident for small subcontractors, which are often microbusinesses (businesses with 10 or fewer employees), that rely on prime contractors for utilization and on-time payments which can make or break their ability to sustain their operations.

Small Business Majority has supported efforts to not only streamline and expedite the payment process for subcontractors, but to provide smaller subcontractors with the ability to hold prime contractors accountable for late payments and the failure of utilizing their business services to fulfill a contract. Since many small subcontractors operate on razor thin margins and may rely solely on any given contract opportunity for their quarterly or annual revenue, it is critical to ensure that prime contractors fulfill payment terms and utilization requirements in a timely manner which provides subcontracts with the financial certainty needed when operating a business.

Small Business Majority supports the changes proposed by SBA to incentivize faster payments to subcontractors by placing more onus on the prime contractor through written notices of late payments and allowing subcontractors to more readily access a prime contractor's past performance rating. These critical improvements, along with the proposed changes to hold prime contractors accountable for

meeting their subcontracting goals and allow first-tier subcontractors to request timely performance ratings, will create a more transparent and efficient procurement system that enables small businesses to grow and thrive using federal contracts.

While these proposed changes address many of the challenges small subcontractors face today, it is important for the agency to consider how it can best empower subcontractors with the protections necessary to file grievances against a prime contractor that does not fulfill its payment or subcontractor utilization obligations and/or the reporting requirements outlined in this proposed rule, if they were to go into effect. We encourage the agency to explore mechanisms such as a dispute resolution process between prime contractors and subcontractors that includes protections against retaliation. While contracting officers and Offices of Small and Disadvantaged Business Utilization (OSDBUs) are often currently involved in a dispute filed by a subcontractor, we believe that it is important for the agency to consider a process which involves external third-party negotiators to ensure complete fairness and transparency for both the prime and subcontractor.

Additionally, while the proposed rule outlines clarifications and improvements to the Dynamic Small Business Search (DSBS) tool, we encourage the agency to explore additional tools to more effectively match eligible subcontractors to prime contractors. To increase the presence of small businesses in matchmaking databases like DSBS, the agency should prioritize modernizing and expanding training programs, such as the Empower to Grow program, which helps connect eligible prime contractors with subcontractors. Without the proper training, guidance and market research strategies from the SBA, many small businesses risk missing out on procurement opportunities for which they are eligible, and prime contractors may lose an opportunity to diversify their pool of subcontractors.

In closing, Small Business Majority supports this proposed rule and appreciates the agency's recognition of many of the challenges addressed in the rule which may currently prevent small subcontractors from accessing on-time payments and proper utilization. We thank you for the opportunity to provide feedback on this issue and we look forward to working with you to increase small business participation in the procurement system. Should you have any questions or would like to discuss our feedback further, please contact our Government Affairs Director, Alexis D'Amato at [adamato@smallbusinessmajority.org](mailto:adamato@smallbusinessmajority.org) or (202) 967-0995.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive, flowing style.

John Arensmeyer  
Founder & CEO  
Small Business Majority