

January 21, 2025

Mr. Michael O. Jackson
Procurement Analyst
General Services Administration (GSA)
1800 F St. NW
Washington, DC 20006

Re: Federal Acquisition Regulation: Inflation Adjustment of Acquisition-Related Thresholds - FAR Case 2024-001, Docket No. FAR-2024-0001, Sequence No. 1; FR Doc # 2024-27851 (11/29/2024)

Dear Mr. Jackson,

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 Department of Defense (DoD), General Services Administration (GSA) and National Aeronautics and Space Administration (NASA) to amend the Federal Acquisition Regulation (FAR) to increase the sole source threshold to inflation for small businesses bidding for federal procurement opportunities.

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.

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. That is why it is critical to continue evolving programs that seek to increase small business participation in federal contracts, and adjusting sole-source thresholds is a key part of that process. Small Business Majority has supported efforts to increase sole-source award thresholds through various legislative efforts and recognizes that it is important to ensure smaller contractors have the proper tools at their disposal to benefit from the procurement system, such as set-asides, training, and other programs.

While we agree that increasing sole-source thresholds to inflation is an important and necessary step to drive more growth towards smaller contractors, we caution the Agencies on any unintended consequences to the inflation adjustments over time. For example, as sole-source thresholds increase, and revenues go up, this adjustment could create a unique situation in which small business owners face a cliff (a problem frequently cited in the Small Business Administration's 8(a) program) barring them from accessing small business programs should their performance in the program result in such growth that they are no longer classified as small.¹ For example, if a small business owner clears a revenue threshold that serves to

¹ The 8(a) cliff has been well documented by numerous small business stakeholders, including the U.S. Black Chambers, Inc., which previously brought attention to the barriers Black-owned small businesses encounter when competing for contracts after graduating from the 8(a) program. <https://usblackchambers.org/wp-content/uploads/2022/11/USBC-Federal-Contracting-Fairness-Act-of-2022-Support-Letter-Final-1.pdf>

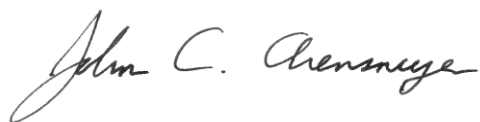
classify a business as small under CFR 13 Section 121.201, would that small business owner then “graduate” from their small business size status and lose access to programs created strictly for small businesses? Additionally, when considering employee-based size standards, it is possible that a small business may need to hire more support to complete a project, which may also place their size status in question, further risking their ability to benefit from programs specifically created for small business concerns.

Alternatively, we caution the Agencies against creating a situation in which larger sole-source thresholds unintentionally lock microbusinesses from the system altogether as eligible small businesses compete for more lucrative contracts. While increasing sole-source thresholds may result in higher-revenue contract opportunities for certain small businesses, many small businesses, those with either less than 10 employees or non-employer firms, simply do not have the operational capability or resources to take on larger contracts. In this case, larger sole-source thresholds may incentivize government agencies to prioritize awarding contracts to businesses that can handle higher-value contracts, effectively pushing the smallest businesses out of opportunities. To avoid this outcome, Agencies should require that procurement and contracting officers work to intentionally increase the number of small firms in the contracting system, creating protocols for working with smaller firms that may be considered a microbusiness.

In closing, while we support the intention behind these changes, and recognize that adjusting these programs to inflation is warranted and necessary, Agencies and Contracting Officers must work together with the business community to minimize unintentional negative consequences on smaller contractors and subcontractors who may be locked out of programs due to climbing thresholds and sole-source amounts. As this change becomes law, we expect that the Agencies will work in good faith with private-sector and public partners to provide the proper resources, training, and to clearly communicate the implications of these changes to all involved (including Prime Contractors, Subcontractors, eligible business entities, and offices of small and disadvantage business utilization (OSDBUs)).

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 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