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RESTORING AMERICA'S INDUSTRIAL BASE: THE ROLE OF SMALL BUSINESSES IN NATIONAL SECURITY

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINETEENTH CONGRESS

SECOND SESSION

HEARING HELD
JUNE 3, 2026



Small Business Committee Document Number 119–038
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
63–917 WASHINGTON : 2026

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RESTORING AMERICA'S INDUSTRIAL BASE: THE ROLE OF SMALL BUSINESSES IN NATIONAL SECURITY

WEDNESDAY, JUNE 3, 2026

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:05 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Van Duyne, Alford, Wied, Bresnahan, Jack, Patronis, Scholten, Cisneros, Morrison, Tran, Olszewski, and Goodlander.

Chairman WILLIAMS. Before we get started, I would like to recognize Representative Clay Fuller from the great state of Georgia to lead us in the Pledge of Allegiance and a prayer. Please stand.

Mr. FULLER. Dear Heavenly Father, today we give thanks for the small business owners who are the backbone of our country. We are grateful for the men and women who work long hours, make sacrifices, and take risks to provide for their families and serve their communities. Lord, bless these business owners and their families; strengthen them during the late nights, early mornings, and challenging seasons; reward their hard work; guide their decisions; and help their businesses to continue to grow and prosper.

We also ask your blessing on the work of this Committee. Grant us wisdom, good judgment, and a sprit of service as we carry out our responsibilities. May we work together with integrity, purpose, and gratitude for the freedoms and opportunities we all enjoy in this great nation. May God continue to bless our community, our country, the United States of America. In your name we pray. Amen.

ALL. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Chairman WILLIAMS. Good morning, everybody. And it is great to have everybody here today. I now call the Committee on Small Business to order. Without objection, the Chair is authorized to declare a recess of the Committee at any time.

Before we get to the main business of today, I ask unanimous consent to waive Representative Fuller onto the Subcommittee on Oversight, Investigations, and Regulations and the Subcommittee

on Innovation, Entrepreneurship, and Work Force Development. Without objection, so moved. Congratulations.

I now recognize myself for my opening statement.

Welcome to today's hearing titled " Restoring America's Industrial Base: The Role of Small Business in National Security." I want to thank our witnesses for joining us today and for bringing us expertise and experience to the important discussion.

Our national security relies on more than weapons stockpiles. For generations, America's strength has been defined by both the power of our military and the tenacity of the American people. It is an honored—it is anchored on the determination of American entrepreneurs and the belief that in this country, if you are willing to build something, create something, and contribute something greater than yourself, there ought to be a place for you in the American story. And nowhere is that more evident than in the small businesses that help shape our defense industrial base.

Sustaining strong and competitive small businesses' participation in the defense industrial base is not a choice, but it is imperative to the long-term national security interests of the United States. What our history teaches us is what our adversaries already understand, that the country's defense and industrial base is increasingly concentrated in a small handful of large companies, which means it is inherently fragile.

Resilience, by definition, requires depth. It requires a network capable of adapting when disruption occurs and when carrying the load when part of the system is compromised. A resilient defense industrial base cannot hinge on a single point of failure. That is where the Committee's onus lies.

For small businesses, participation in the defense industrial base has not always been easy. So too often complex compliance requirements, limited access to capital, and lawyers of bureaucracy make it harder for more—for new and emerging small businesses to compete and contribute. These are the ongoing challenges we need to continue to address.

Now more than ever, it is for small—it is time for small businesses to activate. We are living through a moment of historic investment in America defense and manufacturing. The priorities of this Committee, the direction of this Congress, and the guidance under this administration will point to the capabilities small businesses are uniquely able to provide. The door is open for small business.

None of this happens by accident. The work of this Committee is foundational. As a Committee, we must ensure that we are doing everything in our power to make good on our promises. We are responsible for ensuring American innovation is neither stifled by unnecessary complexity nor concentrated solely at the top of the supply chain.

At the same time, capable firms remain on the outside looking in. We must ensure that the opportunity is real, competition is fair, and American small businesses have a genuine chance to contribute to our economy and national security. That is the work before us today.

I want to thank all of you for joining us again today. I look forward to the conversation ahead.

I now yield to our Ranking Member from the great state of California, Mr. Cisneros, for his opening remarks.

Mr. CISNEROS. Thank you, Mr. Chairman, and thank you to our witnesses for being here today.

The Department of Defense obligated $755 billion in contracts in fiscal year 2024. Just over $97 billion of that, or 26.3 percent of eligible contract dollars, went to small defense contractors. These dollars point to the critical role small businesses play in supporting the DOD mission and the warfighter. So I was encouraged at first by an official estimate showing an increase to $98.9 billion going to small business firms in fiscal year 2025, an increase at DOD of almost $2 billion. However, the dollar figure alone does not provide a complete picture of the health of the defense industrial base.

We will discuss today two worrying trends behind these numbers. The first is that the percentage of dollars awarded to small firms saw a year-over-year decrease to 25.7 percent. Small business contracts are not growing at the same rate as overall DOD contracts. The second is an issue I have raised here and through my work on the House Armed Services Committee that must continue to be a top priority: the shrinking industrial base. While small business dollars have gone up, small business participation has gone down. In fact, the number of small businesses in the government's ecosystem has almost halved.

Over a year ago, Ranking Member Velázquez and I wrote about the decline of the industrial base in The Hill op-ed. We highlighted the importance of the SBA's program and contracting authorities that level the playing field for all small businesses to enter, compete, and have success in the federal market.

Since then, unfortunately, but typical, the administration's actions have made things worse. As one recent study summarized, the decline of small business participation is an existing trend exacerbated by the disproportionate impact of DOGE contract terminations. It is yet to be seen if the overhaul of the government's procurement regulations will be more than a word-cutting exercise and reduce nonvalue-added requirements for small firms. To date, the results appear to be uneven.

While the Rule of Two was retained, it is not secured as its future depends on a sunset provision. Some processes were streamlined, but particularly harmful buying practices known to drive small firms from the market have been bolstered. Further, contract consolidation and required use of contract vehicles will put more opportunities out of reach for small businesses, who we know leave the industrial base as a result.

Rather than advocate for or assist small business government contractors, SBA is AWOL. They have gutted the workforce and diverted limited resources to a phishing expedition based on unsubstantiated and increasingly unrealized accusations in one small business program. DOD has also unfairly targeted all small businesses with a slickly produced, but factually inaccurate social media video designed to intimidate small firms, even those who previously competed and won defense contracts.

If we are serious about strengthening America's industrial base and securing our economic future, we should be expanding opportunities for all small businesses, not undermining them. This is al-

most—there is almost universal agreement that the government's acquisition process has become too cumbersome, too burdensome, and needs to be simplified. I saw this firsthand during my time at the Department of Defense.

CMMC has further upended the degree of difficulty, layering on new requirements small firms must meet without any guarantee of a return on their costly investments. Starting and growing a business is already incredibly difficult. Meeting the unique requirements to complete—to compete for defense contracts adds another layer of complexity, especially for small firms without the resources of corporate giants or the ear of this President.

I look forward to hearing from our witnesses on what we can do to revitalize the defense industrial base and to ensure that as defense budgets continue to climb, the government is incentivized to leverage the capabilities, solutions, innovation, and competition that small businesses bring to the table.

Thank you very much.

Chairman WILLIAMS. The gentleman yields back. We will now move to witness introductions.

Our first witness today is Mr. Moshe Schwartz. Mr. Schwartz is a senior fellow for acquisition policy for the National Defense Industrial Association. And has spent over 15 years advising Congress on acquisition industrial base issues, including roles at the Congressional Research Service and GAO. Mr. Schwartz has testified before Congress and written extensively on defense acquisitions reform, contract policy, the Defense Production Act, wartime contracting, and other related issues. He holds an MBA and M.S. in public policy from Carnegie Mellon University and a J.D. from Yeshiva University's Cardozo School of Law. And he also is a baseball guy. There you go. And we thank you for being here today.

Our next witness is Mr. Daniel Jaworowski. Mr. Jaworowski is president and chief operating officer at Infinity Systems Engineering, a Colorado-based systems engineering and mission operations company specializing in payload integration, space operations, and systems sustainment. He is responsible for the establishing of policies and strategies in fulfilling Infinity's mission. Mr. Jaworowski has extensive experience in aerospace and defense with a strong track record in portfolio management, space system development, and major ground systems sustainment programs. He holds a B.A. in geography and an M.S. in management information systems from the University of Mary Washington, as well as MBA from Pennsylvania State University, known as Penn State University to many, right? I look forward to your testimony.

Our next witness today is Mr. Anthony Closson. Mr. Closson is the founder and CEO of Colossal Contracting, a Maryland-based IT and professional services company that provides technology, communications, and mission support solutions to government and commercial clients. He is a military veteran and a former communications specialist deployed in Iraq. During his final assignment at Joint Base Andrews as an IT project manager, he laid the foundation for Colossal Contracting. Thirty percent of Colossal Contracting employees are veterans. He earned a degree from the University of Georgia and Terry College of Business. Thank you for your service, and we appreciate you all being here today.

I now recognize the Ranking Member, Mr. Cisneros, to briefly introduce our last witness appearing before us.

Mr. CISNEROS. Thank you, Mr. Chairman. It is my pleasure to introduce Ms. Angela Dingle, president and chief executive officer of Women Impacting Public Policy. W-I-P-P, or WIPP, is a national nonpartisan organization that advocates on behalf of women entrepreneurs and serves as the voice for the over 14 million women-owned companies in the U.S. Women Impacting Public Policy has a proven track record of working directly with our Committee and others in Congress to shape policies that create economic opportunities for women-owned small businesses and ensure procurement inclusion and access to the federal marketplace.

Prior to serving as the CEO of WIPP, Angela founded Ex Nihilo Management, an award-winning technology and management consultancy that provides governance, risk management, and cybersecurity. She holds a master's degree in management information systems and a bachelor's in computer science.

WIPP has championed key small business government contracting initiatives, including the Women-Owned Small Business Program, and has built, led, or joined coalitions to advocate for small—smart solutions to issues that range from access to capital and access to technology to family leave and health and childcare. I just read with interest your piece from 2 weeks ago, " The Future of Innovation Depends on Whether Small Businesses Are at the Table." I hope my colleagues will as well, and ask unanimous consent to insert this for the record.

Chairman WILLIAMS. So moved.

Mr. CISNEROS. Thank you, Angela, and to all our witnesses for being here today.

Chairman WILLIAMS. The gentleman yields back, and I also want to thank everybody for being here today.

And before recognizing the witnesses, I would like to remind them we got some rules here, rules in Congress, and remind all of you that your oral testimony is restricted to 5 minutes in length. If you see the light turn red in front of you, it means your 5 minutes has concluded and you should wrap up your testimony. And if you keep talking after 5 minutes, you are going to hear this. That will mean you are done. Okay? And so forth.

And also, you may see people coming in and out. There are other hearings going on today and so you may see other Members going in and out. It is nothing you said, nothing you did. It is just trying to cover all the bases.

So with that, I want to recognize Mr. Schwartz for his 5-minute opening remarks.

STATEMENTS OF MR. MOSHE SCHWARTZ, SENIOR FELLOW FOR ACQUISITION POLICY, NATIONAL DEFENSE INDUSTRIAL ASSOCIATION; MR. DANIEL JAWOROWSKI, CHIEF OPERATING OFFICER AND PRESIDENT, INFINITY SYSTEMS ENGINEERING LLC; MR. ANTHONY CLOSSON, CHIEF EXECUTIVE OFFICER AND FOUNDER, COLOSSAL CONTRACTING, LLC; AND MS. ANGELA DINGLE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WOMEN IMPACTING PUBLIC POLICY

STATEMENT OF MOSHE SCHWARTZ, SENIOR FELLOW FOR ACQUISITION POLICY, NATIONAL DEFENSE INDUSTRIAL ASSOCIATION

Mr. SCHWARTZ. Thank you. Chairman Williams, Ranking Member Cisneros, Members of the Committee, thank you for inviting me today to testify. The views expressed are my own and not necessarily those of NDIA.

The topic for this hearing, the role of small business in national security, is an important one. Today I would like to make four points.

First, small businesses play a critical role in the defense industrial base. In 1953, President Eisenhower signed the Small Business Act because he understood the importance of having a level playing field to give small businesses equal opportunity to compete for government contracts. General Eisenhower knew the importance of small business to national security. Small businesses represent 70 percent of the defense industrial base. Companies like Onebrief, which supports military operations by providing AI-powered software to enhance force deployment, and Aurora Engineering, which provides AI machine learning and simulation to support NASA missions, are contributing to mission success. But what is less well known is that small businesses also play a significant role in subcontracting. Small businesses make up approximately 50 to 55 percent of the subcontractor base for defense prime contractors.

This brings me to my second point. The defense industrial base is shrinking. The defense industrial base has been shrinking because fewer companies are willing to work with the Department of Defense. As a result, the government has less access to advanced technologies and capabilities that commercial markets have to offer, less competition, which often results in increased costs, and a less resilient supply chain.

Here are some numbers. From fiscal year 2011 to 2020, the number of small businesses receiving DOD contracts decreased by 43 percent, even as obligations to small businesses increased by approximately 15 percent. According to a Bloomberg analysis, in fiscal years 2021 and 2022, the number of small businesses contracting with DOD decreased an additional 5 percent.

This decline is occurring precisely when the federal government increasingly relies on commercial technologies. The reason for this decline was explained by Secretary of Defense Hegseth when he said we have been impossible to deal with, a bad customer who year after year changes our mind on what we want and what we don't want. We have to fix our own house first, provide clarity, simplify the system, allow more people to access it, give that steady demand signal.

This brings me to my third point. We need to streamline the acquisition rules and help small businesses find the front door. There are too many acquisition rules and they are overly complicated. In a recent poll by NDIA, companies were asked what do you find most difficult about government processes? Fifty-six percent cited the burden of the acquisition process and paperwork, 33 percent cited regulations. Some may argue that streamlining is code for repealing necessary oversight. On the contrary, done right, streamlining will increase accountability by clarifying lines of authority, shortening timelines, and improving outcomes without undermining oversight.

Let me give an example. The Office of the National Cyber Director reported that current regulations are harming cybersecurity outcomes and increasing costs through administrative burdens. Many companies have reported that complying with the regulations is actually drawing resources away from actual cybersecurity programs and efforts.

Finally, my last point, we can be smarter in helping small businesses. Even though the Department has consistently met its overall small businesses target, the number of small businesses, as has been mentioned, working with DOD has declined. There are other methods that could be just as impactful or more in helping small businesses. Here are three proposals.

One, promote the use of shared classified workspaces. Small businesses generally do not have the resources to build or maintain secure compartment information facilities, or SCIFs, creating a barrier to entry. We could encourage more use of companies like Nooks, which offers secure, high-end SCIF spaces for lease. And by the way, Nooks is a small business. Agencies could also provide access to underutilized government-owned SCIF space. Such access could help small and other businesses compete and provide new capabilities to the Department.

Two, streamline subcontracting regulations. When regulations placed on prime contractors must be included in subcontracts, we are actually placing regulations on small businesses. Congress and the Department could view regulations to see when the benefits of flowing down requirements are outweighed by the costs imposed on subcontractors.

And third, help small businesses submit better SBIR applications. Companies often do not get meaningful feedback on SBIR proposals that were not accepted. Better communication with losing bidders explaining the weaknesses of the offer will help them do better next time and help small businesses learn how to improve their bids and help DOD by increasing the quality of their offers.

Thank you for the opportunity to share these thoughts. I look forward to your questions.

Chairman WILLIAMS. The gentleman yields back. Thank you very much.

I now recognize Mr. Jaworowski for his 5-minute opening remarks.

STATEMENT OF DANIEL JAWOROWSKI, PRESIDENT & CHIEF OPERATING OFFICER, INFINITY SYSTEMS ENGINEERING LLC

Mr. JAWOROWSKI. Chairman Williams, Ranking Member Cisneros, distinguished Members of the Committee, thank you for the opportunity to testify before you today. My name is Dan Jaworowski. I am the president and chief operations officer of Infinity Systems Engineering in Colorado Springs. We support the Air Force, the Space Force, intelligence community, and a variety of major industry primes.

I have got a 30-year career myself in this business. Coincidentally, Infinity celebrates our 30th anniversary today. And I would like to use my most recent experience working in small business to appeal for you to look out for the independent small businesses like us that face what can only really be described as a second Valley of Death.

Infinity has successfully scaled, yet we find ourselves trapped in a regulatory blind spot, and we are not alone. As a small business with fewer than 300 employees and no socioeconomic designations, we are too large to benefit from entry-level small business set-aside programs. Therefore, we are considered a large and forced to compete for full and open contracts directly against multibillion-dollar defense primes who possess exponentially more proposal, legal, and overhead resources. Forcing a growing mid-sized business to jump straight into the ring with defense giants is the antithesis of healthy competition. There are countless commercial entities with valuable capability to bring to the fight who stay away from the sector for this reason.

Small private businesses like ours are really left with three choices when we get to this stage. We can stay in the fight and try to grow organically, which is what we are continuing to do. We can make our own investments in M&A and try to scale inorganically, but that takes capital investment that we can't handle. And if we take on outside investment, we start to lose control of our business. And finally, exit the market via an acquisition.

In the past 6 years, nearly a dozen privately held defense firms in Colorado Springs have sold to larger firms and/or private equity. All are now a part of significantly larger entities, thereby shrinking the base as we so see.

I am often asked by my peers and counterparts how I feel about the recent eight audits taking place in government services, including defense. In short, I believe that they are necessary, but, in my experience, most of these firms seemingly operate within the bounds of the law and with integrity. I do work with a lot of these firms that operate under the protections offered by legislation that is geared towards helping small, disadvantaged firms compete. However, many of these firms are very far from small, and they certainly are not disadvantaged.

While intended to assist developing firms, the 8(a) program frequently grants immense advantages to massive multi-entity holding structures and conglomerations. These firms masquerade as small businesses, yet have shared corporate services and capital pools that far exceed the reach of an independent and truly small business. It is firms like ours that become disadvantaged when accommodation is made where accommodation is not needed.

The frequent use of sole source noncompetitive direct awards allows these firms to essentially name their price to the government. That has an impact on the labor force in that local market, and it severely undercuts the small businesses that have to compete based on price alone.

The FAR overhaul designed to bring flexibility and speed is both necessary and overdue. However, these changes are only as good as the acquisition professionals executing them. Today, contracting shops are paralyzed by a weaponized protest culture throughout the industry. The fear of frivolous protest traps contracting offices in endless acquisition strategy design and source selection morass. The result is delayed acquisition schedules, sometimes for months or even years. For a small business that has already sunk hundreds of thousands of dollars into a pursuit, these delays drain vital capital that we need to fund independent R&D and to sustain our talent for future pursuits. In the end, the government feels this in increased rate structures.

From a legislative perspective, this Committee can do a lot to address these concerns, and I am hopeful to see some of these things materialize. Number one, legislate directly to direct an expansion of NAICS categories and size standards to include the middle tier of companies, set-asides for larger than X, but smaller than Y companies. Legislate to limit the accommodations of the 8(a) program to truly disadvantaged firms and prohibit holding companies of any kind from participation.

Legislate accountability metrics that hold government acquisition timelines to the same standard as contractor schedules. It should be no more acceptable for the government to miss deadlines than it is for the contractor to miss them.

And finally, introduce clear statutory thresholds and financial penalties to curb frivolous bid protests designed purely for revenue extension or to force a failed competition. This will liberate contracting officers from a culture of fear.

With that, I thank you, and I look forward to answering your questions.

Chairman WILLIAMS. The gentleman yields back. Thank you.

And I now recognize Mr. Closson for his 5-minute opening remarks.

STATEMENT OF ANTHONY CLOSSON, FOUNDER & CHIEF EXECUTIVE OFFICER, COLOSSAL CONTRACTING LLC

Mr. CLOSSON. Chairman Williams, Congressman Cisneros, and Members of the Committee, thank you for the opportunity to testify today. My name is Anthony Closson, and I am the founder and CEO of Colossal Contracting, a service-disabled veteran-owned small business IT value-added reseller and integrator. As a VAR, we deliver comprehensive IT solutions combining industry-leading products, engineering expertise, integration services, and lifecycle support to maintain mission-critical technology environments. Thank you for holding this hearing on the important role small businesses play in strengthening America's industrial base and supporting national security.

My journey to entrepreneurship began in the United States Air Force as a communications specialist, affectionately known as a

wire dog. At my duty stations in Japan, Joint Base Andrews, deployments to Kuwait and Iraq, I saw firsthand how government agencies depend on both public servants and private sector partners to accomplish mission-critical missions. In 2009, I founded Colossal Contracting and believe service to this country does not end when we take off the uniform. We build our company on the values defined our military service: integrity, accountability, teamwork, mission focus. Today, as Colossal, we support mission-critical programs across the federal government while creating opportunities for veterans, military spouses, and other highly skilled professionals who want to serve their nation.

My testimony today focuses on the role of the IT VAR in the industrial base. Companies like ours serve as the bridge between technology manufacturers and government agencies, helping evaluate, integrate, secure, and deploy mission-critical technology solutions. As the federal government pursues modernization initiatives like the GSA OneGov Strategy, we support these efforts, leverage buying power, and deliver better value to taxpayers.

However, those efforts must continue to preserve meaningful opportunities for small businesses. A strong supplier base depends on both innovation from the manufacturer and execution from small business like Colossal. There are three issues I would like to highlight today.

First, the federal government's industry classification system has not kept pace with modern technology marketplace. Today's technology procurements often combine hardware, software, cloud, AI, cybersecurity, technical support into one single requirement, yet there is no dedicated classification for these buys. Establishing a separate IT VAR NAICS code would provide greater clarity on how technology solutions are delivered to government customers.

Second, the current 150-employee SBA size standard no longer reflects the realities of today's technology sectors. Reaching 151 employees does not mean a company is a large business, yet it forces those companies to compete against multinational corporations that employ tens of thousands of people. Increasing the threshold to at least 300 would allow successful small businesses to continue to grow and compete while strengthening the federal supplier base.

Third, I strongly support robust cybersecurity requirements, including the Cybersecurity Maturity Model Certification program. At Colossal, achieving CMMC certification required substantial investments in technology, compliance, and personnel. As implementation continues, cybersecurity requirements should remain risk-based and scalable so that small businesses can continue to contribute to the industrial base while meeting the government's security objectives.

Before I close, I would like to thank the Committee for its leadership in passing H.R. 2804 to codify the Rule of Two. This legislation helps preserve small businesses to compete for federal work and strengthen the industrial base by ensuring continuing to consider qualified small businesses as your first solution. Small businesses are innovators. We are job creators. We are veteran advocates, problem solvers, and mission partners. When small businesses succeed, our government gains competition, resilience, and

access to the expertise needed to meet the ever-evolving national security challenges.

Thank you for this opportunity to testify today and for your continued support on America's small businesses and the veteran community, and I look forward to any and all questions. Thank you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Dingle for her 5-minute opening remarks.

STATEMENT OF ANGELA DINGLE, PRESIDENT & CHIEF EXECUTIVE OFFICER, WOMEN IMPACTING PUBLIC POLICY

Ms. DINGLE. Good morning, Chairman Williams, Ranking Member Cisneros, and Members of the Committee. My name is Angela Dingle. I am president and CEO of Women Impacting Public Policy, a national nonpartisan organization advocating on behalf of women-owned businesses. I am also a small business owner with more than 20 years of experience in the federal marketplace, helping companies navigate it successfully. Thank you for the opportunity to testify.

This hearing asks the right questions. Small businesses are not bystanders to America's industrial base. They are its foundation. A procurement system built on a broad base of small firms is more competitive, more resilient, and harder for our adversaries to disrupt. A narrow one built up around a smaller pool of larger contractors is a national security risk. And yet that base is shrinking. In fiscal year 2024, agencies awarded a record $183 billion in prime contracts to small businesses, the highest total ever. But the number of firms doing that work has been cut nearly in half from roughly 121,000 in 2009 to about 63,000 in 2022. Record dollars are flowing to fewer and fewer companies. As firms leave, agencies grow more dependent on a smaller group of large incumbents, reducing competition, raising costs, and weakening the government's own leverage. It is the opposite of a strong industrial base.

What is driving small businesses out? In a word, unpredictability. As a business owner, I factor risk into every decision: how I spend my time, how I price, whether to pursue an opportunity at all. I need real confidence that I have a chance at winning to justify the investment. When contracts are awarded and then abruptly canceled, when policy shifts without warning, that confidence erodes and small firms simply walk away. Stability and predictability are not luxuries. They are conditions that keep us in the market and investing in the capacity this country needs.

This is why the Rule of Two matters so much. It has long been a bedrock protection for small businesses, and any threat to it, even a potential one, raises risk and accelerates consolidation. Congress should retain and codify the Rule of Two as a true shall requirement applied consistently across contract vehicles. WIPP is proud to support the Protecting Small Business Competition Act of 2025, which does just that. We commend the Committee for its unanimous approval of this bill and hope that the full House will follow your lead.

I now want to talk about a program that is near to our mission at WIPP, the Women-Owned Small Business, or WOSB, Program. The WOSB Program and similar programs are not handouts, nor are they charity. They exist to level a field that is not yet level and

to give the government the widest possible pool of qualified competitors, and they work. In fiscal year 2024, women-owned small businesses won $31.7 billion in federal contracts, and the certified WOSB Program grew to more than 13,400 firms. Women-owned firms are winning contracts and delivering, but only when they get a fair shot to compete. That is good business and good government.

A few practical points. Subcontracting and the chance to grow into a prime is how small firms become the durable suppliers the industrial base relies on. Both deserve protection. And the offices meant to champion us inside agencies, the OSDBUs, are understaffed or vacant.

As the administration reexamines federal programs, the wide reach of those reviews has inadvertently captured offices and resources that are vital to small firms. Even though supporting small business is squarely a competition and capacity issue, not a peripheral one, a program is only as strong as the people charged with making it work. Small businesses are not just beneficiaries of federal contracts. We are essential partners in this nation's security and prosperity. We bring the innovation, agility, and cost savings that lead the government to meet its mission quickly and effectively.

Protect and expand our role, and you strengthen the industrial base. But if we keep facing instability and a shrinking chance to compete, you should not be surprised when fewer of us remain.

Thank you, and I look forward to answering any of your questions.

Chairman WILLIAMS. The gentlelady yields back. Thank you.

We will now move to the Member questions under the 5-minute rule. I recognize myself for 5 minutes.

Mr. Schwartz, the number of contractors supporting the defense industrial base has shrunk by roughly 40 percent since 2010. Rising regulatory costs were cited as a major reason small businesses are leaving these federal contracting programs. For small firms, every dollar spent on compliance is a dollar not spent on innovation or production or workforce or even cybersecurity. So the question will be, how has the Trump administration's revolutionary FAR overhaul addressed that challenge?

Mr. SCHWARTZ. Thank you. So, in a bumper sticker, I would say one of the ways to improve acquisition generally, and for small businesses as well, is fewer regulations, more consistently enforced by an empowered workforce. And this effort to rewrite the FAR and then the DFAR, the Defense Federal Acquisition Regulation, strikes at two of those. By deregulating, like we have talked about, like we have all talked about, it gives small businesses more opportunity to focus on the business of what they are delivering instead of non-added valuate, non-added regulation and compliance. That is one.

But the second thing, which might be the even more important impact that people don't necessarily think about, is the message we are sending to the workforce. The message we are sending is less about compliance and more about doing the right thing and empowering them. And I am hopeful that this rewrite is really going to send that message because unless we deal with the workforce, almost everything else is playing around the margins.

Chairman WILLIAMS. All right. Thank you.

Mr. Jaworowski, as the national security landscape becomes increasingly shaped by cutting-edge software and artificial intelligence, the defense industrial base is under pressure to modernize faster than traditional acquisition process was designed to support. So the question is, from your position leading Infinity Systems Engineering, how do you see the role of a small business evolving over the next decade, and what structural changes are most necessary for the defense industrial base to fully leverage main street's capabilities?

Mr. JAWOROWSKI. Thank you for the question, Mr. Chairman. I think that the recent extension of the Small Business Innovative Research Program is going to go a long way to help satisfy some of that gap that exists, particularly when it comes to AI. AI is something—that is an area that we operate. We are active in the SBIR Program. I would love to see it become permanent, not just a 5-year extension so that we don't have another lapse like we did recently. But that program is very, very encouraging for new entrants to this market to come in and participate. There are a lot of companies out there that don't participate in the defense industrial base that can absolutely bring capability that is well needed, and that program is really the way to do it.

Chairman WILLIAMS. Okay. Thank you.

In the limited time I got, Mr. Closson, Colossal Contracting's identity as a veteran-owned business speaks to something larger happening across the federal landscape, and it represents the growing recognition that smaller companies can often move faster and more effectively, stay closer to the mission needs of government customers. So my question is, in an environment where agencies are looking for partners who are even—who can rapidly integrate emerging technologies and adapt to changing requirements, how does Colossal Contracting leverage its veteran-led mindset and small business agility as a competitive advantage?

Mr. CLOSSON. Thank you, sir. Being agile, right? Being aggressive. I mean, that is part of who we are and what we are trained to be as veterans. That is why I think it is great to see so many veterans going into the entrepreneurial, you know, mindset and to becoming service-disabled veteran-owned small businesses. That value that we are trained with and the ethics that we have and the drive from being military have delivered absolute value.

And especially in supporting the defense industrial bases, you know, a lot of us veterans are dealing with the missions that we dealt with when we served. So we are able to see what the issues are, understand their mission, and do what we can to elevate it. And because we are not massive, we don't have these huge layers, right, we are dealing directly with the program, with people that understand the mission. And what we are doing is we are taking all the different types of technologies as an IT VAR and as a master aggregator and bringing those together to answer the mail and to elevate their solution, so—and to elevate their mission.

So, you know, to answer, sir, is who we were trained to be is delivering absolute max value. And I believe it will continue to do that.

Chairman WILLIAMS. All right, thank you. The gentleman yields back.

I now recognize the Ranking Member for 5 minutes of questions.

Mr. CISNEROS. Thank you, Mr. Chairman.

Ms. Dingle, with the administration's ongoing attack on the 8(a) and legislation to eliminate the women-owned small business programs pending, can you reiterate for the Committee the value of the SBA's programs not only for small businesses, but for the government and the industrial base?

Ms. DINGLE. Thank you, Ranking Member. The Women-Owned Small Business Program and the SBA programs like the 8(a) Program—the 8(a) in particular is a business development program, and the Women-Owned Small Business Program—they create a level playing field. They are not handouts.

For every contract that I have ever won, I had to compete for those contracts, and so do the other businesses. When, as my colleague here mentioned in his comments, when we have to compete against multibillion-dollar firms who have existed for hundreds of years, it is more costly. It creates an unpredictable environment that we are not able to determine whether or not we should invest the dollars that are necessary. And it makes it really hard for business owners to be able to grow.

One contract award in one of those programs can be a game-changer. It can completely change the trajectory of the company because we simply need a foot in the door, and these programs create those opportunities for you to get a foot in the door.

Mr. CISNEROS. Yeah. You know, a company like General Dynamics, right, did not start out as a big corporation. It started out with kind of doing a small company doing a contract for NASA, and, and we need to have those game-changers out there.

But halfway through this fiscal year, Ms. Dingle, documents circulated online showing SBA changed their scorecard criteria and lowered each agency's spending targets. What will be the impact of SBA telling agencies they should spend less, potentially $12 billion less on small business?

Ms. DINGLE. I think it just flies in the face of what this Committee and this conversation that we are having. If we continue to say that small businesses are the engine of the U.S. economy, then we have to create an opportunity for those small businesses to compete.

One of my other colleagues mentioned the burden that is on the contracting officers. Some of these programs assist them in getting their work done. And sometimes they just need an easy button. They will take the least path of resistance. And so if you say to an agency, you only have to spend $12 billion less than you did, they will simply do that and small businesses will be cut out. Ultimately, for the government, that means less innovation. It means less competition, and it means additional cost because we believe, and I am certain my colleagues would agree with me, that small businesses can do it cheaper and faster and with more flexibility.

Mr. CISNEROS. Thank you very much for that answer.

Mr. Closson, the FAR rewrite removes the justification and approval requirements for direct awards when agencies utilize the Service-Disabled Veteran-Owned Small Businesses or other small

business programs. Will these changes make it easier to provide contracting opportunities to serve disabled veteran-owned businesses?

Mr. CLOSSON. Thank you, sir. I believe so. I believe removing the J&A requirements and getting contracting officers also comfortable with doing sole sources. The sole source has been around for a while for the SDVOSBs, but not many people use it. Contracting officers see it as difficult. They don't want to have to justify things. So we are hoping that that mixed with the Rule of Two is really going to open up some things and be able to showcase the service-disabled veteran-owned small businesses out there and be able to provide that max value.

So to answer, sir, absolutely, I think that it will, hopefully, open up some more solid SDVOSBs to doing sole source work, and that mixed with the Rule of Two, it should open things up.

Mr. CISNEROS. Since you mentioned the Rule of Two, let me ask you this. Can you quickly address what a sunset of the Rule of Two would mean for small business participation in the industrial base?

Mr. CLOSSON. It would hurt. If that went away and contracting officers and program people were not evaluating the value of small business, I think it would impact us greatly. I mean, we need the Rule of Two. We need there to be that first look, especially, hey, there is the place for the systems integrator where they are working on massive programs that protect this nation, and I am good with that. And we work with a lot of them. But there is a lot of amazing opportunities for the agility and the expertise that small businesses bring, and we need that Rule of Two.

Mr. CISNEROS. All right. Ms. Dingle, since you mentioned the Rule of Two, in our last 30 seconds here, can you answer that same question. What would it mean if this sunsetted?

Ms. DINGLE. I agree. I mean, it would just be disastrous for small businesses. That Rule of Two helps me in my decision-making as a business owner when I am evaluating whether or not I am going to compete on an opportunity. The Rule of Two makes it something that is viable for me to consider for competition. And the predictability of knowing what is going to happen in this environment is what makes me decide whether or not I am going to continue to do business in the federal marketplace.

Mr. CISNEROS. All right. Well, thank you for your testimony, and I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Alford from the great state of Missouri for 5 minutes.

Mr. ALFORD. Well, thank you, Mr. Chair.

I am also on the Appropriations Committee, and we have two markups across the hall, so I am kind of back and forth. But I did not get to listen to your testimony, but I did read it, and I am high on the end there. I am excited that you are here today so thanks for coming here.

When most people think about our national defense, they think about large defense contractors, but behind every major weapon system, aircraft, and military platform is a network of small businesses providing innovative technology, specialized manufacturing,

and critical supply chain support. Small businesses are essential to maintaining America's technological edge, and they are often the first to deploy emerging capabilities in areas like artificial intelligence, cybersecurity, advanced manufacturing, and electronic warfare, and they also provide the competition and innovation necessary to make sure that our military has access to the best capabilities available.

However, despite their importance, the number of small businesses participating in federal contracting has declined significantly, raising concerns about consolidation within the defense industrial base and long-term resilience. And as we face increasing competition from adversaries such as China, it is critical that we expand opportunities for innovative American companies to enter and succeed in the defense marketplace.

Today's hearing provides an opportunity to better understand those challenges and identify ways Congress can strengthen small business participation in our defense industrial base. I represent a great base in the DOD family, Fort Leonard Wood. We also have Whiteman Air Force Base, but we have exciting things going on. We have a technology park, 10 square miles on the base in Fort Leonard Wood in the southeastern part of our district, where we are trying to attract more small defense capabilities there.

So Mr. Jaworowski, did I pronounce that correct?

Mr. JAWOROWSKI. Very close.

Mr. ALFORD. All right, very close. Jaworowski, better? All right.

Mr. JAWOROWSKI. Better.

Mr. ALFORD. Your business started out contracting with DOD and then won an SBIR award. What led you and your company to pursue that award after receiving multiple defense contracts?

Mr. JAWOROWSKI. Thank you for your question, sir. We—you know, you hit the nail on the head at the beginning of your statement and question there. You know, Infinity has been around for 30 years, but we were founded on subcontracts with the large primes. So some of those large primes today are still some of our biggest customers. We are primarily a services company providing engineering services to those primes and to DOW on the satellite operations front.

About 5 years ago, we made the decision that we were seeking out some higher margin work. We didn't really want to leave DOD and go into the commercial space, and we saw SBIR as an opportunity to bring some ideas and innovations to the table that we saw we saw as gaps with some of the large primes that were probably not meaty enough for them to go after themselves, but they were difference-making enough for us that we were able to innovate and capitalize on that program, and it has been a game-changer for us.

Mr. ALFORD. Mr. Schwartz, as you know, Secretary Hegseth proposed a $1.5 trillion defense budget for fiscal year. We are going to be taking up the defense appropriations in the coming weeks right across the hall. How can Congress make sure that small businesses are positioned to compete for these dollars?

Mr. SCHWARTZ. That is a great question. I think there are a lot of examples. There are a lot of things that Congress can do to help small businesses have a level playing field, and I will just reiterate two of them.

One is when a company loses an SBIR, right, they don't necessarily get the feedback that would help them do a better bid next time, right? Now, this actually, because GAO bid protests had been mentioned, this was a problem with bid protests where companies didn't know why they were losing bid protests. So Congress actually legislated and said, DOD, you will do enhanced debriefings, and they did. And companies thought that was very helpful. And in fact, my understanding is the data said that bid protests decreased because companies understood. That is one thing that Congress could do. They could say you shall give better debriefings for SBIRs, you know, so companies know how to compete better.

And another one very quickly is shared SCIF space. Companies don't always have the investment if they are small businesses to invest in that, which means they can't compete for the bid——

Mr. ALFORD. Right.

Mr. SCHWARTZ.—and then they can't perform. Excess SCIF space in GSA, for example, is a great way, like, for a pay-for-fee like a WeWorks——

Mr. ALFORD. Right.

Mr. SCHWARTZ.—is another opportunity.

Mr. ALFORD. Well, two very innovative ideas. I think we had similar legislation with other government contracts that passed through this Committee and the full House, I believe, that required the government to give explanations to small businesses of why they did not secure a contract. And I think maybe this would be good to look at this in this case and also the shared SCIF space.

Great ideas. We will get to work on that. I yield back. Thank you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Goodlander from the great state of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Mr. Chairman, and thank you to our witnesses for being here today for this really important hearing.

I want to start with two numbers that have come up in this hearing: 51 to 5. Fifty-one to five. That is how many prime defense contractors we had in this country in 1993, 51. Just 7 years later, we were down to 5. And this was driven by consolidation that the Pentagon itself blessed. You know, fast forward to today, we are seeing this same movie once again, even more consolidation.

And Mr. Jaworowski, I want to be sure to emphasize this very powerful portion of your written testimony where you described the second Valley of Death, this frozen middle where small businesses like yours are trapped with three really challenging options. The first, and I applaud you for pursuing it, to continue to try to operate in this environment where the deck is stacked against you, the rules are not written for you. And I want to work with you and each one of our witnesses who are here today to help us write better rules of the road.

When I think of President Eisenhower, General Eisenhower, Mr. Schwartz, you invoked him, I think he would be very disappointed in the progress that we have made since 1953. We have reversed course from where we should be. And I came to Congress having worked in the Antitrust Division at the Justice Department ,where

we worked really hard to dust off the federal code to give and empower people across our administration, including in the Pentagon, the confidence that they can enforce the rules that we have on the books. And I am here now and I want to write better rules of the road that are going to help businesses trapped in the second Valley of Death.

The three options you have in front of you, can you just say a bit more about the two other bad options that are available to a small business like yours, sir, in the second Valley of Death?

Mr. JAWOROWSKI. Sure, I am happy to. You know, really selling out is what we are seeing most prevalent. Most companies are getting to our size and they find that this competitive landscape has changed and it gets frustrating and it is the easy answer is to just take the exit.

Ms. GOODLANDER. Sell to a prime.

Mr. JAWOROWSKI. Sell to a prime or sell to private equity. Private equity is what we see more commonly and they are consolidating small businesses like ours, ultimately for a sale of that entity to probably to a prime in a more strategic transaction.

The second road is really to say, we are going to go try to acquire another company ourselves. And that is capital intensive.

Ms. GOODLANDER. Yeah.

Mr. JAWOROWSKI. And that is a really, really challenging decision to make for an independent, privately held company. And if—the capital is just not there to do something like that. So we would have to take on an outside investment, and when we do that, you are probably going to lose some control over your company, and we are not interested in doing that either.

Ms. GOODLANDER. Well, I appreciate that.

Mr. Closson, can you speak to—I gather you are also riding through the second Valley of Death.

Mr. CLOSSON. Yes, I am. You know, we are on that, in our world as an IT VAR, as soon as you go over 150, you are now competing against systems integrators and very large companies. If you walk into Colossal's headquarters today, you will hear music playing, people, you know, enjoying life, but it has a small business feel, right? It is a culture that we created that we will lose, right? If we can't compete, because as soon as we go over 151, without things like the gentleman was saying here, losing who you are, selling out to private equity, you know, making a massive investment that you don't have, right, you are going to lose who you are.

I said the other day to our group that I wish and I hope and I will work as hard as I can that Colossal becomes a legacy company and that we can stay around for a long time. But like I mentioned, I—my fear is I am constantly battling this under 150. And because we are an IT VAR, people will see that we are selling a lot of equipment with our services and look at us and say, hey, well, you are a large business, right?

Ms. GOODLANDER. Right.

Mr. CLOSSON. Even though we are 105 people. So we are constantly in that battle and it is something that we have to fight for.

Ms. GOODLANDER. Well, I really look forward to, you know, as you point out, determining whether a business qualifies as small sounds like an easy exercise. We clearly have not gotten it right

under federal law, so I really look forward to working with you on this important legislative measure that we should correct as soon as we possibly can.

What you just described as footnote 18, as soon as we are talking about footnotes and manuals that aren't in the U.S. Code, I think we haven't given you the clarity that you need. So I appreciate that.

I—well, I guess I have run out of time, but I really appreciate our witnesses being here today. And with that, I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Wied from the great state of Wisconsin for 5 minutes.

Mr. WIED. Thank you, Mr. Chairman. Thank you to all of our witnesses for being here today.

Main Street America is not only the backbone of the United States economy, but also of our defense industrial base as contractors and subcontractors. As the new Chairman of the Subcommittee on Contracting and Infrastructure, I am committed to ensuring that small businesses are given fair opportunities to compete for government contracts. Bills like Protecting Small Business Competition Act, which passed out of this Committee 2 weeks ago, go a long way to ensuring our nation's small businesses are afforded those opportunities. I look forward to discussing the state of government contracting for small businesses, including the Department of War's newly implemented Cybersecurity Maturity Model Certification.

Mr. Jaworowski, the CMMC, which is the Cybersecurity Maturity Model Certification, is a tiered certification process that is based off of sensitive data that contractors have access to. I have heard from some of the small business owners in our area that the cost to comply with the Department of War's new cybersecurity requirements can be upwards of $100,000. What did this process look like for you?

Mr. JAWOROWSKI. Thank you for your question. I would, I would say upwards of several hundred thousand dollars is probably the more likely answer. That is the—that is what we have seen.

For us, we were pretty fortunate. We had made some decisions early on about 5 years ago that once the first drafts of CMMC compliance were coming out, that we were going to lean in and start to do that work. So we started to do that work with existing IT infrastructure and existing IT personnel. We had to make investments along the way in order to be compliant, but we were able to limit the overall cost of that, but it took 5 years to be ready.

So if we were to fast forward to today, if I were starting that process all over again, I would have to hire a staff of several individuals to come in and help us be compliant, and if I was trying to do it inside of a year, it would definitely cost us several hundred thousand dollars.

Mr. WIED. Do you think that there are issues with overclassification?

Mr. JAWOROWSKI. Absolutely. Absolutely. There are issues with overclassification. And to the degree that CMMC is geared towards managing controlled unclassified information, what we are seeing now is anything that is unclassified is now being called CUI

for the sake of CMMC. So it is really when it comes to outside entities trying to add to the defense industrial base, all we have really done is create another barrier to entry.

Mr. WIED. Thank you.

Mr. Closson, while large contractors have an easier time absorbing the costs associated with CMMC compliance, small contractors required to meet the same standards, right, with, I mean, a fraction of the resources. So what has achieving CMMC compliance looked like for you in your business?

Mr. CLOSSON. It was extremely difficult. But we understand the value. We clearly understand the value of it. But we have, you know, we have had things like ISO certifications and CMMI, because we do have a lot of work in the defense space. That helped us prepare for it. But we had dedicated resources. We had, you know, auditors that you have to pay for, we have pre-auditors that you have to pay for. We understand the value of it and I truly do.

My concern isn't for just Colossal, it is for the when Colossal was 10 people. Like, I don't know how that would be done. Again, I understand the importance and I stomp that completely. But the reality is, is when I was going through this, it made me feel, man, when I was 10 people, I would have been able to do this. So we would luckily have a great team and great partners. So we were able to get it done, but it definitely was a big lift.

Mr. WIED. Well, thank you for serving in the Air Force. And thank you for all your efforts in helping those that are disabled, disabled veterans. I know that is very important and near and dear to your hearts.

I want to talk a little bit about the—what is—the acronyms in the government are great, SDVOSB Program that, of course, was designed to ensure that service-disabled veteran-owned small businesses have a meaningful opportunity to compete for federal contractors. In your experience, how has that certification changed your ability to compete in the defense marketplace as a small business?

Mr. CLOSSON. It has been amazing. Number one, it is a very proud designation that I have been honored to have and that the SBA is blessed with creating, but now holding the certification. But being able to set things aside has not only helped Colossal, but our entire environment.

I am going to the DAV and speaking to entrepreneurs, and they are wanting to start businesses because of this program. To see a room of 50 disabled veterans now with the motivation to do it because there is proven success, like a Colossal, is one of the biggest gifts that I think that I can give the veteran community. So for Colossal, it has been an amazing thing. Now hopefully getting the Rule of Two to dive in a little more and now open up the J&As for more sole sources. I hope we attract more people in, but it has been a blessing.

Mr. WIED. All right, thank you. I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Dr. Morrison from the great state of Minnesota for 5 minutes.

Ms. MORRISON. Thank you very much, Chairman Williams, for holding this hearing, and thank you to our witnesses for being here today.

In an era of rapid technological disruption, the agility and speed of small businesses are exactly what we need to maintain our military advantage. However, we face an urgent reality. Small business participation in the defense industrial base has steadily stagnated, presenting a serious risk to our national security. To reverse this trend, we have to look closely at where the barriers are highest and where regional solutions are succeeding.

I am proud to say that my home state of Minnesota is combating this challenge head-on, and there are small number of—there are a number of small businesses doing phenomenal work in the defense ecosystem. One small business based in my district, Operative X, is working on the cutting edge of combat medicine. And is developing a sophisticated deployment system to help triage medical decisions on the battlefield. Using advanced AI-based diagnostics, this technology aims to extend the capabilities of military hospitals into the field, providing combat medics with the information they need to make quick, informed decisions that get wounded warfighters the care they need as quickly as possible. As a physician myself and the wife of an Army combat veteran, I am proud that this great work is happening in my backyard.

Competition is essential for innovation, and it is critical that small businesses know how to effectively compete and know what resources are available to them across the federal government. Aligning these resources is essential to reducing barriers for small businesses with the potential to transition dual-use capabilities for our urgent national security needs.

Ms. Dingle, how can federal workforce and education programs better align with the needs of small businesses supporting the defense industrial base?

Ms. DINGLE. Thank you for the question. I really think it is important to have resources that are available to assist small businesses with technical assistance and access to training and education that will allow them to take advantage of new technologies such as AI. We have worked with our partners and we understand how important AI is to the growth of small businesses, but decisions about the affordability of those technologies, the availability of those technologies, and how they might be available, access to them, those conversations are happening without those small businesses. And it is the small businesses that bring that innovation to the defense industrial base.

So ensuring that small businesses are involved in those conversations, that the pricing and access to those technologies are available to small businesses because we simply can't afford to buy into those technologies and create new products and services at the price point that exists right now.

Ms. MORRISON. Thank you for that answer. Another one for you. In fiscal year 2024, fewer small businesses received government contracts than the year before, and the women-owned small businesses receiving contracts decreased by an even larger percentage. An SBA report found that women-owned small businesses accounted for a quarter of the total small business decline in 1 year

alone. What factors contribute to more women-owned firms leaving the industrial base?

Ms. DINGLE. There are a number of factors that contribute. My colleague mentioned the difficulty in getting contracting officers to understand the program and how to use the program, so more education being available to them. And with a lot of the changes that have happened with the federal workforce, then we are starting over, having conversations about how you might be able to leverage that program.

There are misunderstandings about the program that, you know, it might be some form of handout as opposed to a way to increase competition. And then the complexity of complying and competing in the federal marketplace just continues to get more and more difficult. And so if I have to evaluate the ability to compete on a program against a large company, that may cause me not to want to compete.

Some of the DOGE changes that we have seen have just completely wiped out business owners. I received a phone call very early on last year, as soon as one of the executive orders were passed, and one of the business owners—I have received many, but this one very early on in January essentially said, I will be out of business by May if these things move forward. So I think that Congress can really help us by not just saying we want to, you know, modernize this process or we want to revitalize something, but hearing the voices of small business to understand what that looks like.

WIPP has always—we always come to the Hill and offer we are here to help, right? We don't want to—you know, we are not here to bash you over the heads, but we really want to be able to help you to find solutions around that. And keeping that woman-owned small business program and other small business programs available and open and usable creates access and opportunity for small businesses.

Ms. MORRISON. Thank you so much.

One for you, Mr. Closson. A recent study found that contract terminations and declining market participation for small businesses are creating defense supply chain innovation and competition concerns. So what do you think are the short-term actions we can take to help offset DOGE's negative impact on the industrial base?

Mr. CLOSSON. So the reality is, you know, we have to get out there and compete, and this is the landscape that we are in right now. I believe there is competition to be had, but we need to continue to be agile, and we need contracting officers and the government to be able to have enough opportunities out there for us in the prime. We will see that number go up as opportunities are there. There are still plenty of good small businesses out there. We just need to see as many opportunities as we can.

Ms. MORRISON. Thank you for getting an answer.

And I have exceeded my time, Mr. Chair. I yield back. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Fuller from the great state of Georgia for 5 minutes.

Mr. FULLER. Thank you, Mr. Chairman.

Mr. Closson, great to see another Airman in the room. I was going over your bio, had an admonishment for you real quick. I didn't see the University of Georgia in the bio that I have. So just a quick question, you would agree with me that is a far superior school than the TCU or something?

Mr. CLOSSON. Don't bring me into this.

Mr. FULLER. And I wanted to ask you real quick, specifically related to you were talking about giving speeches to veterans at a DAV. One of the things that I think with suicide rates in the veteran community being so high, it is just losing that sense of purpose, losing that sense of service. What is your number one piece of advice that you give to veterans in that speech specifically to go through this process of making sure you can get the certification for the Service Disabled Veteran-Owned Small Business Program?

Mr. CLOSSON. Right. I am very truthful with them. When I speak at the DAV, I don't talk about the clouds and the unicorns and all the great stuff that come, you know, 7 years, 17 years, for me almost 18 years. It is hard and no one is going to do it for you, you know. And there has been a lot of programs like the DAV now that are available.

When I sit through these things, you know, we are giving them the roadmap, right, but we are just honest with them on what it takes, but also to be there for each other. The support programs talk a lot about small businesses and SDVOSBs and how to be successful in GovCon. But we talk equally about being there for each other and removing the stigma of being the tough guy and saying, hey, man, are you okay? Right? Because it is challenging. I mean, all of us have opened small businesses. This is a challenge to get into GovCon. It is not easy.

So what we focus on is being there for them through their—the programs like the DAV has that lays out the structure of how to get there, and then having a community with you that has your back, because it does put a lot of stress on you. And a lot of these gentlemen and ladies have PTSD. And—but I have seen some amazing success stories come from those programs, and we are going to keep seeing it.

Mr. FULLER. Yeah. Well said. Airpower and I appreciate you being here.

Mr. CLOSSON. Yes, sir.

Mr. FULLER. Mr. Schwartz, I wanted to turn to you in my remaining time here. I don't know if you would agree with me, so correct me if you feel like I am wrong. I feel like the American defense industrial base is broken. But if you had to put it on a scale of 1 to—it is 1 is doing fine to 10 it is completely broken. Where would you put the American defense industrial base?

Mr. SCHWARTZ. So first, I disagree with you on the ranking of colleges. Put that out there.

Mr. FULLER. Way to stall for time.

Mr. SCHWARTZ. Yeah. No, no, second of all, I wouldn't say it is broken. I would say it is a system designed for something else. Like if you are going into the Rockies in Colorado, you probably don't want a Corvette. You probably want a Ford 150, right? So we were designed—the acquisition system was designed for a different

era, for a different concern. And we have not shifted to the right system or the right car. It is substantially problematic.

I will just give one example and I think it highlights the whole concern. The attack drones that we used most recently in Iran were reverse engineered from the Iranian Shaheds. That shouldn't have to happen. So if that——

Mr. FULLER. Yeah, absolutely. And obviously, you have highlighted here in your testimony that small businesses can help fix those problems. You refer to it as small businesses finding the front door, and back home I would call it the front porch.

One of my concerns is that the defense industrial small business base that may get into this may be on the coast, East and West Coast. I represent Appalachian communities. What would be your one piece of advice for me as a legislator or leader to make sure small businesses and entrepreneurs in Appalachia are getting involved in the defense industrial base? What can I do to help them?

Mr. SCHWARTZ. I am going to say two. I apologize. One is work really hard to get rid of all those ancillary regulations that are not priorities, right? Cybersecurity is important, but you can't focus on your job and cybersecurity when you are also given 20, 25 other regulations that really aren't as important anymore.

And the second is help them figure out where to open the door, right? And sometimes that might be helping them, giving them the contact. Sometimes it might be legislating in ways to ensure that DOD is reaching out because what we need from our acquisition workforce, and this is, I think, the key here, is for them to have the time and the support to slow down and say, I don't want to push the easy button. I want to find the best solution. And sometimes the best solution is a small business. But if you don't have the time to sit back and say let me do my market research and really scout out where to go and who is out there, we are not going to get them.

Mr. FULLER. Yes, sir.

Mr. Chairman, I yield back my time. Thank you for your testimony.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Tran from the great state of California for 5 minutes.

Mr. TRAN. Thank you, Mr. Chairman and the Ranking Member, for today's hearing. Thank you for our witnesses for being here today.

Los Angeles and Orange Counties are home to one of the nation's most dynamic aerospace and defense manufacturing and research ecosystems. I am especially proud to represent Auriga Space, located in Garden Grove. I have had the chance to tour their facility with their CEO, Winnie Lai, and see firsthand the amazing work that they are doing to develop the first electromagnetic launch system for rockets. From advanced manufacturing and satellite technology to defense software and precision engineering, small businesses throughout southern California are helping build the systems that keep America secure.

Small businesses are often the source of breakthrough technologies and specialized capabilities that our national security depends on, but there is a troubling disconnect. The federal govern-

ment is spending more on our national security than ever before, but the share of contract dollars going to small businesses declined. In fiscal year 2025, the Department of Defense awarded nearly $500 billion in contracts, but only a quarter of those went to small businesses. That is less than the year before.

Far too often, federal procurement remains too complicated, too slow, and too expensive to navigate for small businesses. They face burdensome compliance requirements, lengthy contracting timelines, slow funding disbursements from other transaction authority managers, and a maze of regulations that often favor companies with dedicated administrative staff and teams of consultants. Meanwhile, the Small Business Administration has significantly cut staff meant to help with government contracting.

Instead of cutting resources, we should be smartly investing in America's industrial base. That means reducing red tape, streamlining, streamlining contracting pathways, improving outreach, appropriately funding the Offices of Small and Disadvantaged Business Utilization, and ensuring agencies are held accountable for meeting their small business contracting goals because America's national security is stronger, more innovative, and more resilient when small businesses have a fair shot at contracting opportunities and a level playing field to compete.

Ms. Dingle, despite significant increases in DOD contracting spending in fiscal year 2025, the National Defense Industrial Association's Vital Signs '26 report found that overall small businesses are reporting fewer contracting opportunities than last year, with a significant percentage seeing a decrease. What do you think we can do to ensure that the Department is structuring contracts in a way that small businesses can compete and perform?

Ms. DINGLE. Thank you for that question. I think there are a number of things that you can work on. As my colleague mentioned, the process of getting into the front door can be extremely difficult. So if you are not already in that defense industrial base, it is nearly impossible to get in. Less and less agencies are permitting new entrants because you need to have a clearance in order to get a contract, and you need a contract to get a clearance. So that is one of the issues.

The other is if there is anything that can be done to lessen the burden of all of the compliance requirements. I grew up in cybersecurity. I have worked in defense for many years. I understand the importance. So it is a necessary—it is necessary to have cybersecurity provisions in place, but the amount of money that it costs for a company to comply is nearly impossible, and some companies are getting out.

Sometimes the procurements come out, and, you know, it is 180-some-odd pages of things that you have to be able to read and respond to. And for small businesses, we just don't have the staff that are necessary to be able to navigate those things and to respond to those types of requirements. So streamlining the requirements in a way that doesn't necessarily burden small businesses would be great.

Mr. TRAN. Thank you for that.

Ms. Dingle and Mr. Closson, while small businesses may receive contracts, the actual funding is frequently delayed. Government in-

efficiencies and other acquisition bottlenecks are the cause. As you know, these challenges create severe cash flow problems for small businesses. How would you expand multiyear procurement authorities that the DOD help create more stable business opportunities for both prime contractors and subcontractors? And secondary to that is, would this help reduce the barrier to entry for small businesses?

Ladies first.

Ms. DINGLE. Thank you. You mentioned stability and predictability. I think those are just the key, right? When I started my business, the sales cycle was about 6 months. That sales cycle now is nearly 3 years. It is nearly impossible for a small business to hold on to the staff and the resources that are necessary to compete. So that is something that is important.

And I apologize, a little bit of noise. I forgot what the second half of your question was.

Mr. TRAN. No problem. I will just go to Mr. Closson. You have anything to add, 5 seconds.

Mr. CLOSSON. Yeah. Okay, 5 seconds. The reality is it is tough, right? And we have to find ways to be able to get it done. I am hoping that the Rule of Two, using more sole sources, I mean, you think about that, the sole source alone would be something huge. The Rule of Two and actually executing sole sources would expedite everything.

Mr. TRAN. Thank you. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Van Duyne from the great state of Texas for 5 minutes.

Ms. VAN DUYNE. And I agree with Mr. Schwartz' assessment on the ranking of colleges. TCU rules.

Thank you, Mr. Chairman. This hearing is important because rebuilding America's defense industrial base cannot just mean relying on the same large prime contractors. Small businesses are a critical part of getting new ideas, faster production, and better capabilities to the warfighter.

Too often Washington makes it harder than it needs to be for small businesses to be able to compete. And for a small business every dollar that is spent on unnecessary compliance is a dollar that cannot be spent hiring workers, developing new products, or supporting the mission. And that is why I introduced the Small Business Regulatory Reduction Act, which passed the House in December and is waiting Senate action. It is killing me. I have introduced this for three sessions now. We finally got it out of Committee. We got it on the floor. And now it is dying a very slow death in the Senate.

And my bill requires the Small Business Administration to ensure that the cost of its rulemaking on small businesses is not greater than zero each fiscal year. It requires SBA to report on regulations that impact small businesses. And the principle is simple: before Washington adds another burden, it has to start removing them. And today's hearing shows why that matters. If we want a stronger defense industrial base, we need more small businesses willing and able to work with the federal government and not fewer.

Mr. Schwartz, in your testimony, you discussed the critical role of small businesses in keeping our defense industry competitive and innovative. My concern is that even while higher contracting dollar amounts are flowing from the Department of War to small businesses, we are ignoring that the overall number of small businesses that win contracts is actually shrinking. So what does the shrinking number of contractors say exactly about the health of the defense industrial base, and what makes it less attractive now for small businesses to work with the government than it was 5 years ago?

Mr. SCHWARTZ. So the first one is shrinking, what does it say? So you may have noticed I eat kosher and I am Jewish, right? I lived in a city—there is a point, really, I promise. I lived in a city that had one kosher pizza store. The food wasn't great, their service was not great, and it could be cleaned up a little bit. One day, another kosher pizza store opened up two blocks away. You would be, I guess, not surprised how quickly that first pizza store, the pizza got really good, and the service was excellent. It is the same thing here. When you have that decline in the industrial base, you are losing that competition. When you are losing that competition, you are losing that hunger to improve and get better to win that contract. At the end of the day, that is, I think, the example.

Okay. Now, I was thinking of food, so I totally forgot the second question. I apologize.

Ms. VAN DUYNE. The last 5 years, do you think that it is—that government has made it harder or easier for small businesses to be able to work with?

Mr. SCHWARTZ. Oh, I think they have definitely made it harder. And I will give one example. As was mentioned, every dollar matters for small businesses. And what they need is that predictability of business. And yet we saw this year the SBIR authority lapse and then get renewed, right? That interruption of SBIRs that some companies knew they were going to win and got disrupted and lost that cash flow is a huge problem for planning on business. So that is just one example of including some of the ones that we talked about in cyber.

So one option to really help small businesses, I think, is make some of those authorities permanent so companies know they can count on it and don't worry every single year that it is going to disrupt their business.

Ms. VAN DUYNE. I appreciate that. I remember we had a witness here in front of the Small Business Committee several years ago from the defense industry, and he held up a three-ring binder that is about four inches thick. And he said, this is the regulation we are sitting here talking about today. If you pass this, I close my doors. Because while some of the major defense companies can afford to have regulatory agencies, I cannot. This is going to cost me about $100,000. My margins are this thin. So if you pass this, you are literally taking my business away from me, just by a regulation.

Tell me how important—and I understand we have to have regulations. That is important. But the layering upon layering upon layering, how much have you seen your time being spent on that as opposed to what you should actually be focused on?

Mr. SCHWARTZ. So I can't say my time because I don't run a small business for defense. I am here for the NDIA, the National Defense Industry Association. But it is one of the biggest complaints that companies have. All the small businesses in the polls, it is consistently at the top. It is the regulations, the paperwork. And it—not only does it take up their time. I would argue what is even worse than taking up their time is distracting them from what we really want them to be doing, which is delivering capability, not working on compliance that doesn't really add anything.

Ms. VAN DUYNE. I appreciate that, and I yield back. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Olszewski from the great state of Maryland for 5 minutes.

Mr. OLSZEWSKI. Thank you very much, Mr. Chairman. Thank you to our Ranking Member and all of our witnesses for being here today.

I believe that we can all agree that driving American innovation for small business is a top priority for Members of this Committee and on all sides of the aisle. Maryland, we are proud to be home of the Army's oldest active proving ground, Aberdeen Proving Ground, where I know the National Defense Industrial Association, Mr. Schwartz, has a chapter. Thank you for fostering collaboration among government, industry, and academia to advance Army modernization efforts. APG features expansive test ranges and road courses designed to stress military hardware. So if a piece of equipment has—is meant to shoot, move, or communicate, it likely has gone through testing at APG.

APG uses Small Business Administration guidelines to award research, technology, and service contracts to smaller-scale companies. Unfortunately, the Trump administration has gutted the SBA's capacity to advocate for small contractors at federal agencies like APG. The Office of Government Contracting and Business Development has been reduced by 60 percent, meaning fewer negotiators to help identify small business opportunities and fewer phone calls from small business owners being answered, which makes no sense to me, especially as Trump's own DOD has said, quote, " A weakened American industrial base and supply chain threatens both the economic security of millions of Americans and our country's national security." I agree wholeheartedly.

Kneecapping small businesses who want to enter, compete, and innovate in the federal market does, in fact, weaken our industrial base and supply chain. So I do hope we can work together in spite of these challenges to produce positive outcomes for the industrial base and for the government cluster.

Ms. Dingle, I will start with you. Since 2015, SBA has made multiple unsuccessful attempts to deliver a single IT platform to bring all of its small business certifications into place. I think this is a great idea, especially if it cuts down on time for small businesses to apply and the time SBA to process applications. The Unified Certification Platform was deployed in 2024, even as the GAO and others raised concerns. The Committee no longer receives annual certification data, and it is unclear if those outstanding concerns have been addressed.

I just wanted to wonder, from your perspective, is the portal functioning well for small business businesses currently seeking certifications with the SBA?

Ms. DINGLE. Thank you for that question. So I am not certain whether the portal is currently functioning well. It was. The challenge for our business owners is they don't have a person they can contact at the SBA to figure out what is going on. The workforce has just been moved around. I won't say decimated, but it is—small businesses need a point of contact in an agency or in the SBA, for instance, to be able to get the answers that they need. Just like we were talking about debriefs on a contract, you need a debrief on what is happening with your application, and that is not possible right now.

Mr. OLSZEWSKI. Sure. Hopefully, it is something we can address together. I want to thank the Committee for recently passing legislation I sponsored requiring the SBA to provide Congress more comprehensive information on the certification portal and related programs.

Can you speak a little bit to how having that more complete picture of application volumes, processing times, and outcomes might help SBA improve the portal and better serve those small business applicants?

Ms. DINGLE. Yeah, I think the small business community, the women-owned business community, is all for transparency and accountability. It is just how does that come about, right? And what we are seeing—I was just having a conversation recently and someone says have you spoken to this person at the SBA or have you spoken to this? Like, we have little to no contact with the resources that used to be able to assist business owners. So I think as taxpayers, as business owners, we all want transparency and accountability, but we also need the resources that are necessary to support that transparency and accountability.

Mr. OLSZEWSKI. Thank you.

And then, Mr. Closson, I will close with you with my last minute. We know that small business-only competitions are critical for small firms to participate in the defense industrial base, but are a small percentage of those defense dollars, making up just over 17 percent. How can we expand efforts to protect this small but critical investment rather than allow them to exit the industrial base and taking their innovation capacity with them?

Mr. CLOSSON. The Rule of Two, like we mentioned earlier, being able to get more small business—prime opportunities for small businesses, that is going to be critical. And educating on the J&A for the sole sources. I mean, these are two quick paths to be able to get more—the companies that are there operating and then also bringing in new. But we need more prime contracts.

Right now I would say the majority of our work growing, you know, was subcontracting, right? So being able to give us the opportunity to compete at the prime level as many times as possible is not only going to strengthen who is there, but it is going to bring more in.

Mr. OLSZEWSKI. Thank you very much. I appreciate the witnesses' time.

And Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Bresnahan from the great state of Pennsylvania for 5 minutes.

Mr. BRESNAHAN. Thank you, Chairman, Ranking Member, and thank you to all of our witnesses for being here today.

The defense industrial base has long been one of the United States' most important economic and national security assets, creating jobs, strengthening communities, and helping keep the American people safe. While many hear defense contracting and think of large corporations and mega contractors, small businesses located all over the country play a critical role in supporting our national defense and military readiness.

In northeastern Pennsylvania, we see this firsthand. Small businesses throughout northeastern Pennsylvania provide specialized services and equipment that help ensure our service members have the tools they need to complete their missions safely and effectively. During the Committee's annual Small Business Showcase last month, I was proud to welcome Inert Products, a small business representative from Pennsylvania's Eighth Congressional District. Inert Products is a veteran-owned small business developing advanced training aids and life-saving equipment that help security forces detect, respond to, and defeat explosive threats. Anyone who saw their state-of-the-art tactical robot at the showcase saw firsthand how Inert Products equips our troops and allies with the best possible equipment to protect them while they protect us.

Another standout example is Noble Biomaterials, who produce thermal, radar, and electromagnetic interference shielding technology that protect our warfighters and critical military assets. Based in Scranton, Noble manufactures lightweight, flexible, low-observable materials that help our servicemembers operate more effectively and avoid detection in high-risk environments.

Small businesses like these protect our troops and save American lives, but we must continue to ensure they and companies like them are given fair opportunities to thrive in the space, which will in turn create local jobs, benefit our communities, and provide for their families.

So my first question is for Mr. Schwartz. In your testimony, you cited the overburdensome paperwork and regulatory process that often push away potential defense contracting small businesses. Obviously, that barrier to enter the marketplace shouldn't be impeded by unnecessary paperwork. Is there anything tangible that we can be doing in Congress to simplify the process?

Mr. SCHWARTZ. Yes, there are a couple of things, but one is there are a lot of regulations that stem from statute. So if you look at the Federal Acquisition Regulation overhaul that is being done right now, the revolutionary overhaul, what they are trying—what they are doing is taking everything that is not required by statute and taking it out, right? But there are things that are required by statute that have been required by statute because of things that are 20, 30 years old that perhaps we have not reviewed of late that are still in there that is not being reviewed because of this overhaul, because the administration has no authority to take that out, or any of the agencies.

So one thing that could be done is a systematic review of the statutory requirements and regulation with a very simple question: is this doing more good than harm? Right? Because some of those—there used to be a regulation that said you had to use dollar coins in every vending machine on a base. That was ultimately appealed because of something that Congress did, or there was a requirement you had to use double-sided paper. Right? Those might be requirements that are examples that we may want to start reviewing those and getting rid of those so we can focus on the important things. So that would be at the top of my list.

Mr. BRESNAHAN. Well, the 11 words you never want to hear: we are from the government and we are here to help. So, honestly.

My second question for Mr. Closson. First of all, thank you for your service. As the founder of the Service Disabled Veteran-Owned Small Business, what advice would you have or to give to a veteran in the early stages of starting a small business? And this is something that I frequently encounter when I am meeting with my constituents. They served our country, and sometimes it is incredibly frustrating to get that inertia moving to be able to get the business off of the ground. So if you can maybe identify perhaps one or two key suggestions that I can take back to them.

Mr. CLOSSON. First is find a good program. Like the DAV has programs where they have mentorship programs for starting small businesses. It is one of the best ones I have ever seen. I have been honored enough to teach a couple of those sessions. Extremely valuable for me. I actually sit through some of the others to get value. Extremely valuable. So the DAV puts on an awesome SDVOSB Entrepreneurial Veteran clinic for people starting business.

Two is understanding how to monetize who you are and the value that you have. Being able to take that step, to dig into your Rolodex of people you have worked with in government or not and be able to monetize your relationships and bring value to their mission. Understand your value and how you can impact theirs.

Mr. BRESNAHAN. Thank you for your service as well.

And Mr. Chairman, I yield.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Scholten from the great state of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Mr. Chairman and Mr. Ranking Member, and thank you for our witnesses for being here today. This is a really, really important conversation.

You know, there is a through line here, right, that we agree small businesses are the backbone of our economy and they are foundational to the strength of our defense industrial base. On that, we agree. However, according to a 2022 study, the number of small businesses competing for awards through the Department of Defense dropped by 23 percent. Over that same time period, the number of firms that were awarded small-dollar contracts, less than $1 million, shrank by even more, by 32 percent.

Ms. Dingle, what steps can we take to ensure that there are sufficient opportunities for small businesses who compete for these lower awards?

Ms. DINGLE. Thank you for the question. I think we have heard from a number of my colleagues here about the Rule of Two cre-

ating opportunities, right, because that sets aside some of the business. But the other thing is consolidations right now are causing problems for us, some of the consolidations. And again, when you look at it from a taxpayer standpoint, it makes sense, but when you look at it from a business standpoint, that just takes some small businesses out of competition completely. You have got to be at a certain dollar figure to even be able to compete. So making small business set-asides available, using tools like the Rule of Two, making sure that contracts are not necessarily consolidated.

I will try to be sensitive to time, but as a small business owner who has worked in defense, we had existing incumbent work that was then moved to a consolidated contract vehicle that we weren't eligible to compete on. So even though we had gotten our foot in the door, now the door was—we were put on the outside of the door and the door was closed so we couldn't get back in.

Ms. SCHOLTEN. Yeah.

Ms. DINGLE. And so being mindful of those kind of things is something that is going to be important.

Ms. SCHOLTEN. Yeah. Another factor that you have emphasized in your testimony is the ever-changing economic landscape and the instability. I mean, I know defense contracting or not, that is the number one issue that I hear about from our small businesses back home.

A recent op-ed from WIPP emphasizes that the use of AI in small business operations presents both a critical opportunity and a barrier to entry for certain entrepreneurs. My bill, the AI-WISE Act, would address this challenge by requiring the SBA to create learning modules to help small business owners adopt AI into their operations. We know they want it, but often they don't know how to use it. They might be afraid that a changing regulatory landscape, for example, could negatively impact them down the road. They are afraid of giving up proprietary information.

Can you talk more about the challenges small businesses are facing with this new technology, specifically if you are able to speak to it, and how it could potentially help them to compete for federal contracts?

Ms. DINGLE. So we know that AI is being used in the evaluation process for federal contracts. So first of all, as a business owner, I need to understand how my proposals are being evaluated. So even having someone at the SBA or in one of the agencies be able to provide an informational session to tell us that or to have some educational programs.

And I will use cybersecurity as an example. As the defense industrial base was—cybersecurity was rolled out, there were roadshows around the country to say, hey, this is what this is going to look like——

Ms. SCHOLTEN. Yeah.

Ms. DINGLE.—and here is how you need to be prepared. We need to be doing that now with AI. Right? So having some education for that might be really helpful.

Making sure that the tools are accessible in terms of the cost associated with those tools. There has been some push to make sure that there are some cybersecurity tools that are available. Doing

that same thing from an artificial intelligence standpoint would be really helpful.

Ms. SCHOLTEN. Yeah.

Ms. DINGLE. Business owners, they want to use the technology, but we are concerned, right? There is no real regulatory guidance on whether we can use AI as a part of our solution. There is no real guidance on what our exposure is with respect to privacy and loss of data for our clients. And so some assistance in that area would be great.

Ms. SCHOLTEN. That is very, very helpful feedback. We teach our students, the first thing you learn in an English class is write for your audience, right? It is almost dystopian to think that that audience might be AI. But the reality is, we know that this is evaluating our proposals. And so making sure folks understand how to prepare that is critically important. We are teaching students now how to write smart AI prompts to get it to do what they want. You know, getting our small business owners prepared for drafting their proposals is a really good idea.

We will follow up with your team. We would love to, you know, chat out some specifics there.

Ms. DINGLE. Thank you.

Ms. SCHOLTEN. My time is almost up, so I will yield back. That was very helpful. Thank you, Ms. Dingle.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Patronis from the great state of Florida for 5 minutes.

Mr. PATRONIS. Thank you, Mr. Chairman.

My district, northwest Florida, I have got over 100,000 veterans. I got 25,000 Active Duty, and it is definitely a stable part of the country because of their understanding, commitment to service, mission. But I think I am going to leave this kind of open for anybody that wants to chime in. What are we doing right and doing wrong?

I know there are so many different organizations and groups that assemble to help those warfighters transition into careers, small business. But again, I am—I would rather you just, you know, throw darts at us where we are dropping the ball and creating problems to help those transitions, because there is—otherwise there wouldn't be so many different organizations trying to be the nonprofit solution, whether it be Operation New Uniform or what have you, that tries to help that. So I am, Mr. Chairman, I am open to any that wants to chime in.

Mr. CLOSSON. Sure. So as somebody who transitioned you know, a while ago now, it has been 17 years, but being—having friends that are transitioning now and also working with Mission 22 and DAV and all of these agencies, these nonprofits trying to transition, is having these programs available within the military. Right? Because right now they are having to go out outside of that.

There are—the military has done an amazing job from over the last couple of years of doing better transitioning. I was talking—we have a former colonel that works with Colossal now, and I was asking him because I was curious. He said it is getting better, right? And that there is a lot more care into that transition.

But I think specifically around wanting to start an SDVOSB, a veteran-owned small business, a small business in general, are there classes available during that transition that they can point them in that direction and say—because a lot of it they train us to go get a job, right? Hey, this is what you need to do to go work for Lockheed or Raytheon or whoever else, and we are figuring that out. For me, when I made the decision just—there wasn't anything available. Right?

Now, today, there are a lot of these programs like the DAV has of the SDVOSB veteran boot camp that they have, and there are these other agencies doing it. But my question is, is what is the government doing to foster that within the military? There may be some programs I am not sure about, so I don't want to say that that is not happening, but in the transitioning that I am hearing happening is we got to be there for them and be able to foster that.

Mr. PATRONIS. Well, you have been there, done that. Okay. So in your career of service, when did you make up your mind that you were going to transition out? And ideally, what is the perfect timing to try to catch somebody with those transition procedures?

Mr. CLOSSON. Absolutely. With me, it was, you know, when I got to Joint Base Andrews, I really got a better view of how the contractor can support the mission. And I was like, man, I think I could do this. Like, I really believe that I could bring value to this mission as a contractor and I can still serve the nation, right? Because I didn't want to take the uniform off, but I wanted to find a way to continue to serve.

So in that transfer time is what I started doing is asking these companies I was working with as a military member, hey, how does this work? You know, I was just interviewing everyone. They probably thought I was crazy, but I knew that this is the path that I wanted to take, but there was nothing there for me.

So the answer to your question is it is probably different with every member, right? But the reality is, is once that transition happens and you decide 6 months into it or a year into it, or you are hitting your 18 years and you are getting the itch and you got 2 left, is what programs are there to train them and to educate them on how to start an SDVOSB or veteran-owned small business?

Mr. PATRONIS. Sure, sure.

Mr. JAWOROWSKI. Yeah, I would add to that, I think that the programs that are there to support transitioning servicemembers into industry are great. We utilize them all the time. We hire from them frequently. When it comes to Active Duty internships, they frequently take place at the very tail end of the career, and if you have got somebody that, like Mr. Closson said, that has maybe got a few years left, that is a really good time to expose them to some of what industry has to offer, the challenges that industry faces, so they can make an informed decision about where they are going to take their future.

I think that they can—the more—you know, rotation programs, maybe, you know, work with this company for a month and then a different company for a month, and they can see what the different size companies are really dealing with. I think that there is a lot of opportunity to improve there.

Mr. PATRONIS. Sure.

Ma'am?

Ms. DINGLE. Thank you for your question. And might I add that doing those rotations would be really helpful for small businesses because we want that expertise. And I think that exposure for the folks that are still in will give them a sense of what the two environments look like because it can be pretty shocking to come out of the military or come out of federal service, like myself, and then transition into business.

Mr. PATRONIS. Gotcha. Thank you.

Mr. SCHWARTZ. Do I have time to answer? Oh, thank you. I will be very quick.

Chairman WILLIAMS. You got 15 seconds.

Mr. SCHWARTZ. Fifteen seconds. One of the things I think is very often overlooked is many veterans who leave the Department leave and they are like, I saw this problem, I know how to fix it in a way that other people don't. And that is something that I think we should really leverage when people leave. Like the company Onebrief that I mentioned earlier in the testimony, that person left the military and said, I saw this problem, I can fix it, and started a company to fix it. If we can capture that, we would really benefit.

Mr. PATRONIS. Sure. Great answers.

Chairman WILLIAMS. The gentleman's time is up.

Mr. PATRONIS. Thank you.

Chairman WILLIAMS. I now recognize Mr. Jack from the great state of Georgia for 5 minutes.

Mr. JACK. Thank you very much, Mr. Chairman.

If I could start with Mr. Schwartz, I appreciate your testimony today, and I want to talk a little bit about, you know, you had a great graph that you included in your testimony that shows the declining number of companies contracting with the federal government, and would welcome your thoughts as to why you believe it is harder for small businesses to contract with the federal government, particularly within the defense industrial space.

Mr. SCHWARTZ. So first, thank you for reading the written testimony. Appreciate it.

I think there are a lot of challenges. Let me start with the workforce. Right? Is if you are a contracting officer and you have a lot of pressures and there is a perception of compliance that you have to do and you have to move fast, it is very difficult to sit back and say, okay, I can do this really fast or I can go slow, do more market research, figure out what the right companies are, who is offering the best thing, and find them. That go find them is hard because who knows about a small business?

We had to find a plumber recently and we had no idea where to start except Roto-Rooter because they were right there. Right? They are easy. It is a lot harder to find some of these small businesses. I think that is one of the biggest challenges is the visibility or people knowing this is what they have to offer.

Mr. JACK. You also included in your testimony the crushing burden of overregulation. Would welcome thoughts to this Committee as to how we as a Small Business Committee and a Republican majority can help reduce regulatory costs and burdens to small businesses trying to get involved.

Mr. SCHWARTZ. Right. I will just review two.

The first one is, as we were talking before, there are a number of small businesses that are subcontractors. And it is not infrequent that a requirement on a prime contractor is required to be flowed down through the contract to every lower tier, which means we are also putting those regulations on small businesses that are the subcontractors. Well, perhaps let's review those requirements of what has to go flow down and say, do we really need to flow that down? Is it really important?

And related to that is systematically go through all of the regulations and say this was—this is a regulation because something that was passed in 1992. Do we really need it anymore or can we amend it to alleviate the burden?

Mr. JACK. That is how I feel, too.

Mr. Jaworowski, appreciate your testimony as well, and I would welcome for this Committee an answer to this question, because as a small business that does not have an SBA certification and must compete in the broader small business category, how challenging is it for those types of businesses to win awards? And do you believe you are at a disadvantage in terms of the contracts offered to you because of it?

Mr. JAWOROWSKI. We are definitely at a disadvantage because the contract space and opportunity space for a company that is our size that doesn't apply for a set-aside that is set aside for socioeconomic basis forces us to compete at a higher level. And in my testimony, I talked about how there is this pool of companies that really punch above their weight. They are large businesses masquerading as small businesses that get to operate based on 8(a) criteria in similar spaces to us. So it is really a 300-person company going up against a behemoth that can be several thousand employees at times.

So it is very, very challenging to find the right opportunity space. And frequently, if those companies that are large are pursuing a small business set-aside where we can compete, we often see contracting officers electing to do a direct award to an 8(a) rather than have a full-blown competition. The Rule of Two should apply there, but there is still subjectivity that can be applied to the Rule of Two, which can limit competition.

Mr. JACK. Thank you.

Next question, Mr. Closson, since we are talking about certificates, would welcome your opinion and perspective as to how the SDVOSB Certification has changed your ability to compete in the defense marketplace?

Mr. CLOSSON. It has been extremely valuable. It has helped shape the company in every way. We started off just fighting any way that we could, but I think we hit it on two values that helped our grow. As they started setting aside for SDVOSB, we started working with the VA more and started getting some work there, and then started working with the Air Force, got a couple prime contracts, were awarded some GWACs that we are able to set aside, like SOOP and ITES, that have set aside requirements for SDVOSB. And, you know, also the large, you know, partners that we work with also have set aside standards within their large contracts.

You just got to get to be out there and work as hard as you can and find the avenues. They don't run and punch you in the face. You got to go look for them and hunt them down through your relationships. But they are out there and we really hope to see more.

Mr. JACK. Well, I appreciate you all's testimony today.

With that, Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

And I would like to thank our witnesses today for your testimony and for appearing before us. It has been a great hearing. I hope when you go back home you can tell your friends that there are hearings that people don't yell and scream at. And there is a lot of—much of what we talked about, the Ranking Member and I were just talking about how much we agree from party to party on small businesses today. So I want to thank you for being here.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witnesses to the Chair, which will be forwarded to the witnesses. I ask the witnesses to please respond promptly if that happens.

If there is no further business, without objection, the Committee is adjourned. Thank you.

[Whereupon, at 11:51 a.m., the committee was adjourned.]

APPENDIX

Statement of Moshe Schwartz
Senior Fellow, National Defense Industrial Association
Hearing of the House Small Business Committee on
The Defense Acquisition System

June 3, 2026

Chairman Williams, Ranking Member Velázquez, members of the committee, thank you for holding this hearing on *Restoring America's Industrial Base: The Role of Small Businesses in National Security*. The views expressed below largely represent those of the National Defense Industrial Association (NDIA), but some of the views are my own and not necessarily those of NDIA.

Our defense acquisition system takes too long to deliver capability, costs more than it should, and often does not access or fails to adopt the most cutting-edge capabilities industry has to offer. In addition, our defense industrial base has been shrinking. This is not by happenstance. Many companies have chosen not to work with the Department of Defense (DoD). These are serious problems.

The good news is that in my more than 20 years working on defense acquisition policy, I have never seen this level of focus on improving defense acquisition, from the administration and from Congress. This hearing is a prime example of that focus.

In this testimony I would like to make four points.

(1) Small business plays a critical role in defense—and all government—acquisition.
In 1953, President Eisenhower signed the Small Business Act (PL 163-83). President—and General—Eisenhower, knew well the importance of having a level playing field to ensure that small businesses are treated fairly and given equal protection under the law to compete for government contracts. That is an appropriate role for the federal government. As the first section of the Federal Acquisition Regulation states, one of the primary goals of the acquisition system is to "conduct business with integrity, fairness, and openness" to all. [1]

President Eisenhower also knew firsthand the importance of small businesses to national security. Small businesses are incubators of new ideas, promote competition, are often at the cutting edge of technology, and are the large companies of the future. Companies like Hewlitt-Packard (which started in a garage), Microsoft (which started in a dorm room), and Bloomberg (which was conceived by one man who left a large company to revolutionize financial information) are all examples of economic powerhouses that started as small businesses. This is why the Small Business Act states clearly that its purpose is to

[1] Federal Acquisition Regulation, 1.102-Statement of Guiding Principles of the Federal Acquisition System.

- promote competition
- ensure that small businesses get a fair share of government contracting and subcontracting, and
- strengthen the economy and security of the nation.[2]

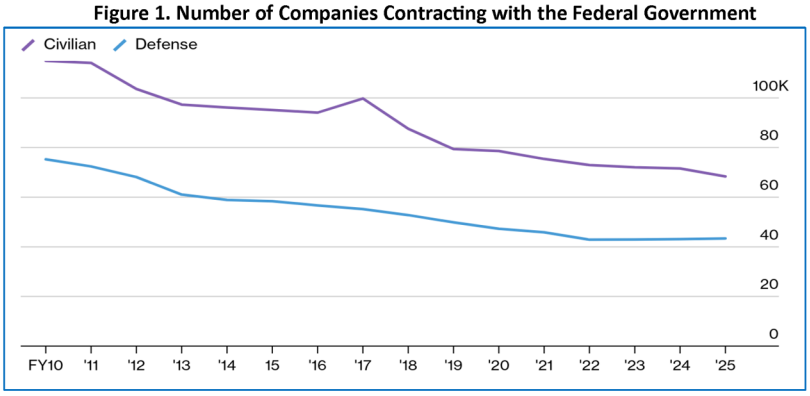
Small businesses are delivering, representing approximately 70 percent of the defense industrial base.[3] Companies like Onebrief, which supports military operations by providing AI-powered workflow software to enhance force deployment, and Aurora Engineering, which provides AI/machine learning and simulation to support NASA missions, are directly contributing to mission success. The Department of Homeland Security's (DHS) website lists numerous small business success stories, from helping DHS enhance public safety, to promoting cyber security, and detecting hazardous gases.[4]

(2) The defense industrial base is shrinking.

The defense industrial base has been shrinking because, among other reasons, fewer companies are willing or able to work with the government. The consequence of this trend is that the government may not be able to access some advanced technologies and capabilities that commercial markets have to offer, there is less competition (which often results in increased costs), and the supply chain is less robust and resilient.

A recent analysis by Bloomberg found that both the defense industrial base and the civilian agency industrial base have shrunk significantly since FY2010 (see Figure 1).

Figure 1. Number of Companies Contracting with the Federal Government



[2] 15 USC 632 et seq.
[3] Department of Defense, *Small Business Strategy, 2023*, January 2023, p. 20.
[4] https://www.dhs.gov/science-and-technology/sbir-success-stories.

Small businesses are a large part of this story.[5] A Government Accountability Office (GAO) report found that from fiscal years 2011 to 2020, the number of small businesses receiving DoD contract awards decreased by 43 percent, even as obligations to small businesses increased by approximately 15 percent.[6] According to a Bloomberg analysis, in fiscal years 2021 and 2022, the number of small and other businesses contracting with DoD slid further, with small businesses decreasing by 5 percent and 7 percent respectively, and other businesses decreasing by 1 percent and 5 percent, respectively.[7]

The same decline in small business participation is occurring in the civilian agency industrial base, which is part of the national security story. Agencies like the National Aeronautics and Space Administration and the Departments of Homeland Security, State, and Justice all play vital roles in national security. According to Bloomberg, the number of small businesses selling to the federal government dropped from more than 100,000 in fiscal year 2014 to approximately 67,000 in fiscal year 2023. In 2024 alone, the number of federal contractors dropped by 2 percent.[8]

This decline is occurring precisely when the federal government increasingly relies on commercial technologies. From artificial intelligence to autonomous vehicles, cybersecurity to space launch, industry is at the forefront of technological evolution.[9] The reason for the decline was explained by Secretary of Defense Hegseth when he stated earlier this year

> We have got to look at ourselves first. The way we do business, we have been impossible to deal with. A bad customer who year after year changes our mind on what we want and what we don't want…we have to fix our own house first: provide clarity, simplify the system, allow more people to access it, give that steady demand signal.[10]

(3) We need to streamline the acquisition rules and help small businesses find the front door.

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[5] Bressler, Amanda, Bressler, Alex *Analyzing the Composition of Department of Defense Small Business Industrial Base*, May 2, 2022.
[6] U.S. Government Accountability Office. (2021, October 14). Small business contracting: Actions needed to implement and monitor DoD's small business strategy. Bloomberg Government. https://www.gao.gov/products/gao-22-104621.
[7] Nieberg, P. and Murphy, P. (2023, February 8). Labor shortages in US hamper defense manufacturing efforts. Bloomberg Law. https://news.bloomberglaw.com/immigration/ labor-shortages-in-us-hamper-defense manufacturing-efforts.
[8] Murphy, P. (2024, May 6), Rising Contract Spending Fails to Lure, Keep Vendors in Market. https://www.bgov.com/next/news/SD254WT0AFB4.
[9] Under Secretary of Defense for Research and Engineering. (2022, February 1). Technology vision for an era of competition. https://www.cto.mil/wp-content/uploads/2022/02/usdre_strategic_vision_critical_tech_areas.pdf.
[10] Secretary of Defense Pete Hegseth, Press interview, February 9, 2026.

There are too many acquisition rules, and the rules are overly complicated. In a recent poll by NDIA, companies were asked "What do you find most difficult about government processes?" [11] Fifty-six percent of companies cited the burden of the acquisition process and paperwork, and 33 percent cited regulation. When acquisition processes that are not overburdened by regulation have been used, such as Other Transaction Authority, the results have generally been positive. Some regulations that apply only to selling to the government also drive up the cost of goods and services.

This is not a call to remove all or even most, regulation. This is a call to create a more effective regulatory framework by rationalizing and streamlining regulations. Some will argue that streamlining is code for repealing necessary oversight. On the contrary. Done right, streamlining will increase accountability by clarifying lines of authority, as well as shortening timelines and improving outcomes, without undermining oversight. This is the approach industry takes: fewer regulations, more consistently applied, by an empowered workforce. Streamlining and eliminating certain regulations can even result in companies investing more resources in areas that will directly benefit the government. As the Chairman's Mark for the FY2027 National Defense Authorization Act states,

> Compliance burdens are a significant barrier to entry for potential defense contractors, particularly small- and medium-sized businesses. Companies are increasingly forced to choose between investing in innovation and maintaining compliance, contributing to attrition from the defense industrial base and reduced resilience across defense supply chains. [12]

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[11] National Defense Industrial Association, *Vital Signs, 2026: The Health and Readiness of the Defense Industrial Base*, April, 2026.
[12] Page 496.

Less Regulation for Better Results: A Cybersecurity Case Study

Overregulation in government contracting requires companies to spend money on compliance instead of on what really matters. Cybersecurity regulations are a case in point. A 2024 report released by the Office of the National Cyber Director raised the concern that

> [t]he lack of harmonization and reciprocity [of government regulations] harms cybersecurity outcomes while increasing compliance costs through additional administrative burdens. Many respondents noted that **compliance spending drew resources from cybersecurity programs**.* (Emphasis added.)

This has a direct impact on small businesses, which have limited resources. One company spent $100,000 last year to get Cybersecurity Maturity Model Certification (CMMC) and is spending $100,000 this year for the audit. Such expenditures represent a significant investment for a company whose annual budget is $3 million.

While cyber security is important and cannot be compromised, steps can be taken to reduce the burden on industry, including by harmonization cyber regulations.

Source:
* Office of the National Cyber Director. "2023 Cybersecurity Regulatory Harmonization Request for Information," June 2024.
** Conversation with CEO of an engineering company that is on contracts for NASA and DoD, May 21, 2026.

In addition to making it easier to work with the Department, we can do more to help small businesses get in the door. There are numerous paths to government contracting. One is to work on government contracts by subcontracting. Small businesses often represent 55-60 percent of all subcontracts, which translates to tens of billions of dollars of government contracting. One prime contractor I spoke to works with more than 8,500 small businesses.[13] Integrators provide a focused pathway for small businesses with little experience in government contracting to bring their unique expertise to the government. In this context, helping small businesses compete for subcontracting—and helping primes subcontract with more small businesses—is an important part of the puzzle.

Another path for small businesses is the mentor-protégé program, which connects new businesses with more established businesses in a way that benefits both parties. In the program, small businesses are mentored in business operations and how to work on federal contracts or subcontracts; the mentors may receive credit toward subcontracting goals or financial incentives.

Subcontacting, paired with the mentor-protégé program, becomes a powerful tool for small businesses. To its credit, DoD appears to be putting significant time, effort, and resources into expanding the mentor-protégé program as a way to bring innovation to the

[13] Based on conversations and data provided with prime contractors, May 2026.

Department. Even if innovation was not the original intent of the program (it has generally been about building up the business acumen of the small business), this evolution to focus on innovation could spawn more collaborative technology development and mentoring between small businesses and more established defense contractors.

Two other pathways for small businesses are

- the Small Business Innovation Research (SBIR) program, which was established in 1982 to provide funds to small businesses for innovative R&D with commercial potential, and
- the Small Business Technology Transfer (STTR) program, which was established in 1992 to facilitate the commercialization of university and federal R&D by small businesses.

All these pathways deliver proven benefits to both small businesses and national security. But we can do more.

(4) We can be smarter in helping small businesses.
Even though the Department has consistently met its overall small business target, the number of small businesses working with DoD is declining. When the spending targets are seen as an end in themselves, rather than a catalyst for expanding small business participation or identifying critical capabilities, the government may prioritize getting large dollars on small business contracts over recruiting and retaining a more diverse industrial base. This approach also sometimes does not incentivize the Department to invest the time needed to work with some of the fast-moving, innovative small businesses that are critical to promoting lethality and operational success. There are other methods that can be just as impactful—or more—in helping small business. Here are four specific proposals to improve small business participation in the defense industrial base:

Further streamline regulation, with an eye to small business.
When regulations placed on prime contracts are required to be included in subcontracts at lower tiers, *we are placing regulations on small businesses.* Congress and the Department could review regulations to see when the benefits of flowing down requirements to all lower tiers are outweighed but the costs imposed on subcontractors.

Improve communication and support, making it easier to work with government.
One example of this is DoD's cybersecurity regulation for contractors, CMMC, which is a barrier to small businesses entering or remaining in the defense industrial base.[14,15] DoD recognizes this challenge, noting in its *Small Business Strategy* that

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[14] Bressler, Amanda, Bressler, Alex *Analyzing the Composition of Department of Defense Small Business Industrial Base,* May 2, 2022. p. 16.
[15] The CMMC program requires third-party assessors to certify the compliance of defense contractors who handle controlled unclassified information (CUI) with the standards in NIST SP 800-171, Rev. 2.

> [t]he resources required to safeguard data and systems from common and advanced persistent threats can put a strain on companies of any size, but resource-constrained small businesses are particularly vulnerable.[16]

Two of the challenges with CMMC implementation have been the constant moving goal posts and delays in implementation, and the need for clear and consistent communication on what requirements to expect, on what timeline.

According to one small government contractor, they still don't know if the independent requirements are going to be required by October 1 of this year, making it difficult for the company to make investment and business decisions. The company stated that the Space Force official managing the contract did not receive clear guidance on when enforcement would begin or the parameters of enforcement, which made it impossible to convey clear information to the contractor.[17] Better communication and a clearer implementation strategy would help small businesses make sound business and resource decisions.

Help small businesses submit better SBIR applications.
A number of companies have stated that they often do not get meaningful feedback on SBIR proposals that were not awarded contracts. Better communication with losing bidders, explaining the weaknesses of the offer and what they can do better next time, would help small businesses learn how to improve their bids and help DoD by increasing the quality of future offers.

Provide resources that put small businesses on a more level competitive playing field.
According to the 2026 *Vital Signs* survey, 32 percent of small businesses cited "delays obtaining necessary security clearances or accessing classified facilities" as a significant challenge in government contracting.[18] Even without delays, many small businesses do not have the resources to build or maintain Secure Compartment Information Facilities (SCIF), creating a barrier to entry. Promoting shared SCIF spaces could help small and other businesses, which would increase competition and provide more options and capabilities for the Department. DoD could encourage more use of companies like Nooks, which offers secure, high-end SCIF spaces for lease. (And by the way, Nooks is a small business, another example of small businesses providing creative solutions to national security challenges). DoD, the General Services Administration, and other agencies could also provide access to underutilized government-owned SCIF space.

Thank you for the opportunity to share these thoughts. I look forward to your questions.

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[16] Department of Defense, *Small Business Strategy, 2023*, January 2023, p. 20.
[17] Conversation with company owners, May 2026.
[18] *Vital Signs, 2026,* p. 44.

Statement of Mr. Daniel Jaworowski
COO/President, Infinity Systems Engineering LLC
Hearing of the House Small Business Committee on
Restoring America's Industrial Base:
The Role of Small Businesses in National Security

June 3, 2026

Chairman Williams, Ranking Member Velasquez, and distinguished members of the Committee, thank you for the opportunity to testify before you today. My name is Dan Jaworowski, and I serve as President and Chief Operations Officer at Infinity Systems Engineering, a small business in Colorado Springs, CO, operating in support of the US Air Force, US Space Force, the intelligence community, and major industry partners. It is an honor to be here to discuss the Defense Industrial Base and the Role of Small Businesses in National Security.

My career supporting the defense industry goes back nearly 30 years with more than half that time spent in privately owned small businesses and the rest with one very large prime. This affords me a unique experience to apply to the topics of today's hearing.

The Frozen Middle / Second Valley of Death

I'd like to use my most recent experience as an appeal to look out for independent, small businesses like us as we face what can only be described as a second valley of death. Infinity has successfully scaled, yet we find ourselves trapped in a regulatory blind spot, and we are not alone. As a small business with fewer than 300 employees and no socioeconomic designations, we are too large to benefit from entry-level small business set-aside programs. Therefore, we are considered a "large" and are forced to compete for full-and-open contracts directly against multi-billion-dollar defense primes who possess exponentially more proposal, legal, and overhead resources. Forcing a growing, mid-sized small business to jump straight into the ring with defense giants, without an intermediate, competitive tier, is the antithesis of healthy competition and actively disincentivizes small business growth, and a barrier to entry for new participants. There are countless commercial entities, with valuable capability to bring to the fight, who stay away from the defense sector for this exact reason, among others. Small, private businesses like ours are often left with three choices.

1) Stay in the game and fight our way to organic growth, which Infinity continues to do today.

2) Make investments in M&A for inorganic growth, but most lack capital without seeking outside investment and sacrificing some control of our businesses.

2) Exit the market via an acquisition.

In the past six years, nearly a dozen independent small businesses operating in the defense sector, and owned and operated in Colorado Springs have sold to larger firms or to private equity. All are now part of significantly larger entities. Infinity is nearly the last of a breed in Colorado Springs.

8(a) Safe Haven for Truly Large Businesses

I'm often asked by peers and counterparts how I feel about the recent 8(a) audits taking place across Government services, including defense. In short, I believe that they are necessary. In my

experience, most of these firms seemingly operate within the bounds of the law and more or less with integrity. I work with a lot of firms that operate under the protections offered by legislation geared to helping small, disadvantaged firms compete. However, many of these firms are very far from small, and they are certainly not disadvantaged. While intended to assist developing firms, the 8(a) program frequently grants immense advantages to massive multi-entity holding structures and conglomerations.

These firms masquerade as small businesses yet have access to shared corporate services and capital pools that far exceed the reach of an independent, truly small business. It's firms like ours that become disadvantaged when accommodation is made where accommodation is not needed. The frequent use of sole-source, non-competitive direct awards allows these entities to essentially name their price to the government. They then use inflated margins to manipulate the market price for talent for a small percentage of the labor pool in that market. This severely disrupts contract execution and mission continuity for traditional small businesses that must win strictly on competitive pricing and retain talent in these same markets.

FAR Overhaul Also Requires Rapid Protest Reform

The FAR overhaul designed to bring flexibility and speed, is both necessary and overdue. However, those changes are only as good as the acquisition professionals executing them. Today, contracting shops are paralyzed by a weaponized protest culture throughout the industry. The fear of frivolous protests traps contracting offices in endless acquisition strategy design and source-selection morass. The result is delayed acquisition schedules, frequently of months or even years. For a small business that has already sunk hundreds of thousands of dollars into a pursuit, these delays drain the vital capital we need to fund independent R&D and sustain our talent for future pursuits. In the end, the Government feels this in increased rate structures.

From a legislative perspective this committee can do a lot to address these concerns. Several outcomes I hope to see in the months and years ahead, and which I'm enthusiastic to discuss here with you today.

Recognize the Middle: Legislatively direct the expansion of NAICS categories and size standards to include the middle tiers of companies. Set asides for companies larger than X but smaller than Y.

8(a) Reform: Legislate to limit the accommodations of the 8(a) program to truly disadvantaged firms, and prohibit holding companies of any kind from claiming "forever small" status.

Schedule Parity: Legislate accountability metrics that hold government acquisition timelines to the same strict standards as contractor schedules. It should be no more acceptable for Government to miss deadlines than it is for contractors to miss them.

Protest Reform: Introduce clear statutory thresholds or financial penalties to curb frivolous bid protests designed purely for revenue extension, liberating contracting officers from a culture of fear.

COLOSSAL

Testimony of

Anthony Closson

CEO and Founder
Colossal Contracting, LLC

House Committee on Small Business

"Restoring America's Industrial Base: The Role of Small Businesses in National Security"

June 3, 2026

Chairman Williams, Ranking Member Velázquez, and Members of the Committee, it is an honor to appear before you today. My name is Anthony Closson, and I am the Founder and CEO of Colossal Contracting.

My path to starting this company began during my service in the United States Air Force. While deployed in Iraq as a communications specialist affectionately known as a Wire Dawg and later serving at Joint Base Andrews as an IT Project Manager, I saw firsthand the critical relationship between government agencies and civilian contractors supporting mission success. Those experiences shaped my understanding of leadership, accountability, and the importance of reliable technology and operational support. During my final assignment at Joint Base Andrews, I began laying the foundation for what would eventually become Colossal Contracting. In the company's earliest days, I relied heavily on trusted former military colleagues, friends, and family members who believed in the vision and joined me in building the business. From the beginning, we committed ourselves to operating under the same military core values that shaped our service: integrity, accountability, teamwork, and mission focus.

Colossal Contracting was officially founded in 2009 with the goal of delivering high-quality IT integration, program management, and professional services to government customers. As a small business entering a highly competitive industry, growth did not come easily. We had to earn trust – project by project – and customer by customer. But our team maintained a "can-do attitude," and that culture became central to our long-term success. Over the years, the company has grown from a small startup into an organization supporting mission-critical systems and services across numerous federal agencies. Even as we have expanded, we have worked hard not to lose sight of the importance of taking care of customers, while also investing in veterans and military families within our workforce.

My experience as a veteran and small business owner has reinforced for me how important it is that government contracting remains accessible to innovative small businesses that are willing to compete, hire, and serve. Companies like ours create jobs, contribute specialized expertise, and help strengthen the missions of the agencies we support every day. Like many veteran-owned businesses, Colossal has also served as a pathway for veterans to continue supporting national security after military service. We have been proud to create opportunities for veterans, military spouses, and other mission-focused professionals to bring their experience and leadership into the federal contractor workforce.

I remain deeply optimistic about the role that small businesses, particularly veteran-owned businesses, can continue to play in supporting federal missions and strengthening our economy. Beyond our business operations, we have worked hard to give back to the veteran community and the communities where we live and work. Through initiatives like our annual "22 For You Day" partnership with Mission 22, we have helped raise awareness and funding to address veteran suicide and support veterans and their families nationwide.

By way of background, Information Technology Value-Added Resellers (ITVARs), like my company, play a critical role in both the federal and commercial technology marketplaces. ITVARs operate within what is commonly referred to as the "channel," serving as the bridge between original equipment manufacturers (OEMs) and end users. The channel is typically made up of small and midsized businesses that specialize in taking technology products, related

services, and customer requirements and combining them into practical, turnkey solutions. In the federal marketplace, this role is particularly important because agencies often require more than the purchase of a product alone. They need hardware, software, cybersecurity tools, cloud solutions, configuration, integration, installation, support, training, and other related services to be delivered in a manner that meets mission-specific requirements.

OEMs frequently rely on ITVARs to tailor their products to the needs of the purchasing agency. ITVARs integrate hardware, software, and related components with value-added services such as system design, configuration, installation, customization, technical support, troubleshooting, maintenance, and user training. This model allows federal agencies to acquire end-to-end technology solutions rather than isolated products. While some OEMs sell directly to federal customers, a significant share of federal technology sales is made through the channel. Industry estimates indicate that only approximately 20 to 30 percent of federal sales are made directly from OEMs to agencies, while roughly 70 to 80 percent are conducted through channel partners.

Our industry has also become an increasingly significant part of the broader technology economy. There are more than 6,000 companies in the value-added reseller sector in the United States, including ITVARs. Over the last decade, ITVARs have experienced substantial growth and have developed into a distinct economic activity within the technology marketplace. Industry estimates reflect growth from approximately $200 million in 2013 to $422.4 million in 2023, with an anticipated compound annual growth rate of 8.3 percent by 2030. This growth demonstrates that we are not merely incidental participants in federal procurement, but rather a mature and expanding sector that supports both commercial and government customers.

ITVARs also provide agencies with access to engineers, architects, and subject matter experts who assist with designing and implementing scalable technology solutions. Many ITVAR personnel maintain certifications across multiple vendors and platforms, which allows them to support agencies using complex, multi-vendor environments. In addition, because of their position between OEMs and government customers, ITVARs are often well situated to support cybersecurity, supply chain risk management, and other government-required standards that are increasingly central to federal technology procurement. These services are frequently embedded in the ITVAR business model and supported through narrow product margins or overhead costs, rather than charged separately to the government.

As an ITVAR prime contractor, Colossal has successfully supported numerous Department of Defense agencies, including the Pentagon J6, by delivering complex IT infrastructure solutions and large-scale technology procurements. On one significant networking equipment acquisition, our customer lacked sufficient warehouse capacity to receive the entire order, while the OEM was unable to hold the equipment pending deployment. Leveraging our expertise as an IT Value-Added Reseller (ITVAR), Colossal coordinated closely with the OEM and distribution partners to provide secure warehousing, inventory management, and logistics services. This enabled a phased deployment schedule that aligned with the customer's operational requirements, minimized project risk, and ensured mission continuity without disrupting ongoing operations.

In addition to our prime contract experience, Colossal has served as a Service-Disabled Veteran-Owned Small Business (SDVOSB) subcontractor supporting major defense programs throughout

the Indo-Pacific region. Acting as the small business technical expert on these efforts, our engineering teams designed and delivered comprehensive IT solutions encompassing enterprise networking, compute, storage, cybersecurity, and end-user technologies supporting mission-critical defense systems. Our ability to combine deep technical expertise with agile small-business responsiveness has enabled government customers and large systems integrators to successfully execute complex modernization initiatives in some of the most demanding operational environments in the world.

As our federal contracting system continues to emphasize consolidated buying, efficiency, modernization, and acquisition reform, small businesses are playing an increasingly important role in delivering technology solutions to the government. In many cases, those small businesses are ITVARs. The ITVAR community should be recognized as a distinct and essential component of the federal acquisition ecosystem and a critical contributor to the nation's technology and defense industrial base.

ITVAR Role in OneGov Initiative

Recent developments surrounding the General Services Administration's (GSA) OneGov strategy further demonstrate both the importance of the ITVAR industry and the evolving nature of the federal technology acquisition marketplace. GSA has described the OneGov initiative as a governmentwide effort to modernize and streamline the acquisition of technology products and services by leveraging the federal government's collective purchasing power, standardizing terms and conditions, and improving pricing consistency across agencies. The goals underlying this effort – increasing efficiency, reducing duplication, strengthening cybersecurity, and delivering better value to taxpayers – are objectives the ITVAR community understands and supports.

At the same time, it is important that implementation of these reforms fully recognize the critical role ITVARs play within the federal technology ecosystem. While portions of the OneGov strategy place greater emphasis on direct engagement between the federal government and original equipment manufacturers (OEMs), the reality is that federal agencies continue to rely heavily on ITVARs to deliver the integration, configuration, customization, deployment, training, technical support, and ongoing customer service necessary to successfully implement complex technology solutions. ITVARs serve as the operational bridge between manufacturers and agency end users, helping translate commercial technologies into mission-ready federal solutions.

As the federal government continues pursuing centralized buying strategies and procurement reform initiatives, it is essential that implementation not unintentionally hinder the small and medium-sized businesses that make up much of the ITVAR community. These companies have long provided agencies with cost-effective access to innovative technologies, specialized technical expertise, and mission-focused customer support, often while operating on narrow margins and without separately charging the government for many of the advisory and integration services they provide. As GSA continues implementing OneGov, preserving meaningful opportunities for small business ITVARs will be essential to maintaining a diverse, competitive, and resilient supplier base. Small businesses provide specialized expertise,

innovation, and customer-focused support that complement broader governmentwide acquisition strategies and strengthen the overall technology ecosystem.

Ultimately, the goals of procurement modernization and support for the ITVAR community are not mutually exclusive. The federal government can continue pursuing smarter, more efficient acquisition strategies while also recognizing that ITVARs remain an essential component of the federal technology supply chain. Ensuring that future acquisition reforms are implemented in a manner that preserves a robust and competitive reseller ecosystem will benefit agencies, industry partners, and taxpayers alike.

Creation of ITVAR NAICS

Determining whether a business qualifies as "small" should be a straightforward exercise. For the ITVAR community, however, that determination has become increasingly difficult because the North American Industry Classification System (NAICS) has not kept pace with the modern technology marketplace. Federal agencies rarely purchase technology products or services in isolation. Instead, procurements often combine hardware, software, cloud solutions, cybersecurity tools, integration, installation, and ongoing technical support into a single requirement. The current NAICS structure does not adequately reflect this reality.

Because contracting officers must assign a single NAICS code to each procurement, ITVARs are often forced into classifications that do not accurately represent the work being performed. Over time, agencies have attempted to address this challenge through varying interpretations and workarounds, creating inconsistency across the federal marketplace. Recognizing the issue, the Small Business Administration (SBA) established the ITVAR exception under NAICS 541519, commonly known as "Footnote 18." While helpful, this approach has not resolved the underlying problem. Many small businesses continue to face uncertainty regarding compliance requirements that do not align with the blended products-and-services model that defines much of today's federal technology market.

This uncertainty places compliant small businesses at a competitive disadvantage and creates confusion regarding eligibility and performance requirements. More fundamentally, it highlights the absence of a NAICS classification specifically designed for the ITVAR industry. In December 2024, the Office of Management and Budget (OMB) issued a Federal Register notice seeking public comment on potential revisions to NAICS as part of the 2027 review process. In response, industry stakeholders submitted recommendations supporting the creation of a dedicated NAICS code for IT value-added resellers. These submissions reflect a growing recognition that the current framework no longer accurately captures the role ITVARs play in federal procurement.

The ITVAR community remains hopeful that the Economic Classification Policy Committee's ongoing review will result in meaningful modernization of the NAICS structure. A dedicated ITVAR classification would provide greater clarity for agencies and contractors, improve consistency in small business determinations, and better align federal acquisition policy with the realities of today's technology marketplace.

Rightsizing SBA's Size Standards

An equally important issue is whether current small business size standards accurately reflect the realities of today's federal technology marketplace. The question of how SBA defines a "small business" is particularly important for the IT value-added reseller industry, and I want to thank the Committee for your work on this issue since 2024.

The current 150-employee threshold was established quite some time ago, before the widespread adoption of cloud computing, modern cybersecurity requirements, supply chain security mandates, and the increasingly complex technology solutions agencies rely on today. As federal requirements have evolved, so too have the workforce demands placed on ITVARs. Companies must employ engineers, solution architects, cybersecurity specialists, compliance professionals, contract managers, and vendor-certified technicians to support agency missions and meet federal requirements. Exceeding 150 employees often reflects these operational demands rather than market dominance. It is worth noting that at 151 employees, a business would be considered large and forced to compete with multibillion dollar, global IT firms with thousands of employees.

Unlike many industries that scale through physical assets, ITVARs scale through people. Success depends on maintaining a highly skilled workforce capable of designing, implementing, securing, and supporting complex technology solutions. At the same time, companies must absorb growing compliance obligations related to cybersecurity, supply chain risk management, and federal acquisition requirements. These investments are essential to serving government customers, but they also require larger and more specialized workforces than were contemplated when the current size standard was established. As a result, many growing firms face a difficult transition. They may outgrow the current small business threshold while still lacking the scale and resources of the largest participants in the federal marketplace. This creates a "missing middle" within the industry, where capable companies are forced to compete against much larger firms before they have had the opportunity to mature and scale fully. The result can be reduced competition, fewer independent suppliers, and increased pressure toward consolidation.

Raising the size standard from 150 to 300 employees would better align federal policy with the way ITVARs operate today. It would allow successful small businesses additional room to grow, invest in talent and compliance, and continue supporting agency missions while remaining competitive. Just as importantly, it would strengthen the federal supplier base by preserving a larger pool of independent technology providers capable of delivering innovative, cost-effective solutions to government customers.

DoW's Cybersecurity Maturity Model Certification (CMMC) 2.0

Cybersecurity remains one of the most important challenges facing the federal government and its contractor base. As cyber threats continue to evolve in both sophistication and frequency, it is essential that federal contractors maintain strong safeguards to protect government information and systems. The ITVAR community recognizes the importance of these responsibilities and supports the Department of War's (DoW) efforts to strengthen cybersecurity across the defense industrial base through the Cybersecurity Maturity Model Certification (CMMC) 2.0 program.

At the same time, the implementation of CMMC has introduced significant compliance obligations for many small businesses. Beyond the investments required to enhance cybersecurity controls, companies must dedicate substantial time, personnel, and financial resources to documentation, assessments, training, monitoring, and ongoing compliance activities. For larger organizations, these costs can often be absorbed across broader operations. For small businesses, however, this is not necessarily the case. At Colossal, it took an array of dedicated internal resources, including building a CUI compliant system, procuring software licenses, purchasing pre-audit services for gap analysis and additional for the actual audit and certification to get CMMC certified. In the same breath of stating the large lift for our small business we also understand the importance of protecting our customers' missions and believe the program has immense value to the defense industrial base.

Many small contractors fully support the objectives of CMMC but remain concerned about the cumulative impact of compliance requirements layered on top of existing federal acquisition regulations, supply chain security mandates, and other reporting obligations. In some cases, the costs associated with achieving and maintaining compliance may discourage otherwise qualified small businesses from pursuing defense-related opportunities altogether. This outcome would reduce competition and limit the pool of innovative small businesses available to support government missions.

As policymakers continue overseeing implementation of CMMC 2.0, it will be important to ensure that cybersecurity requirements remain risk-based, scalable, and achievable for small businesses. Strong cybersecurity and robust small business participation should not be viewed as competing objectives. The federal government benefits most when it can protect sensitive information while also preserving a diverse and competitive industrial base capable of delivering innovative technology solutions to support national security and agency missions.

Codifying the Rule of Two

An underlying principle key to small business participation is codifying the Rule of Two in H.R. 2804, the *Protecting Small Business Competitions Act of 2025*. As federal acquisition strategies increasingly rely on large multiple-award contracts and task-order-based procurement vehicles, preserving meaningful opportunities for small businesses to compete becomes more important than ever.

The Rule of Two has long served as one of the federal government's most effective tools for ensuring small businesses have access to contracting opportunities. The principle is straightforward: when there is a reasonable expectation that at least two qualified small businesses can perform the work at fair market prices, the acquisition is reserved for small business competition. Prior to the significant changes made in the Revolutionary FAR Overhaul, its application remains inconsistent across the federal marketplace. For companies like Colossal and many others across the ITVAR community, the Rule of Two creates opportunities to compete based on technical capability, innovation, and mission understanding. These opportunities enable small businesses to build past performance, invest in their workforce, and grow into stronger contributors to the federal industrial base. Without consistent application and the proposed expansion of the Rule of Two, small businesses face increasing exclusion from opportunities consolidated into larger procurement vehicles dominated by much larger firms.

The impact of these opportunities is significant. In FY2024, small businesses received $183.5 billion in federal prime contract awards, representing nearly 29 percent of all federal contracting dollars. These contracts support innovation, job creation, competition, and supply chain resilience across the country. Codifying the Rule of Two provides greater clarity and consistency for agencies while helping ensure that small businesses maintain meaningful access to federal contracting opportunities. Preserving a diverse and competitive small business supplier base strengthens the federal acquisition system, promotes innovation, and supports the broader industrial base upon which our national security depends. Thank you to the Committee for unanimously passing this critical legislation.

Modernizing Small Business Sole-Source Thresholds

Congress should also modernize small business sole-source authorities through H.R. 7154, the *Streamlining Small Business Contracts Act*. Federal procurement has changed significantly over the last two decades. Contract values have increased, requirements have become more complex, and agencies are increasingly relying on integrated technology solutions rather than standalone products or services. Yet many of the acquisition thresholds governing small business contracting have not kept pace with these changes.

For small businesses, sole-source authorities serve as an important tool that allows agencies to move quickly when qualified firms are available to meet mission requirements. These authorities can be particularly valuable in the technology sector, where agencies often need rapid access to specialized expertise, emerging technologies, cybersecurity capabilities, and supply chain support. Increasing the sole-source threshold to $10 million over the life of the contract would better align acquisition policy with the realities of today's marketplace while preserving opportunities for agencies to work with capable small business partners. Importantly, this change does not replace competition as the cornerstone of federal procurement. Rather, it would provide contracting officers with additional flexibility to utilize existing small business authorities in appropriate circumstances.

Global Memory Shortage Awareness

For agencies supporting our national security and critical infrastructure missions, delays in technology acquisition can have consequences that extend beyond procurement timelines. Ensuring continued access to critical technology components is an important part of maintaining mission readiness and strengthening supply chain resilience. Federal agencies are currently confronting growing supply chain pressures related to memory and storage components. The rapid expansion of artificial intelligence, cloud computing, and data center infrastructure has significantly increased global demand for these technologies. As manufacturers prioritize production to meet emerging AI-related needs, the availability of traditional memory components used in many government technology products has become increasingly constrained. These market conditions affect far more than component pricing. Memory technology is a critical part of laptops, desktops, servers, storage systems, and other infrastructure used across the federal government. When supply tightens, agencies face longer lead times, reduced product availability, and increased procurement challenges. The effects are

felt throughout the technology ecosystem, including manufacturers, distributors, integrators, and IT value-added resellers.

The ITVAR community supports efforts to strengthen supply chain security and expand domestic semiconductor production. However, acquisition policies must also recognize the realities of a rapidly changing technology market. Small businesses play a vital role in helping agencies acquire, deploy, and support mission-critical technologies. Procurement practices should remain flexible enough to account for supply chain disruptions that are outside the control of contractors, manufacturers, and government buyers alike. As agencies continue investing in cybersecurity, cloud modernization, and artificial intelligence, a resilient technology supply chain will become even more important. Supporting a healthy ecosystem of manufacturers, integrators, and ITVARs will help ensure agencies can obtain the technology they need while preserving competition, innovation, and small business participation in the federal marketplace.

In summary, the federal technology marketplace has changed dramatically over the last two decades, and small businesses have evolved alongside it. The Administration's goal of increasing efficiency across the government is one that our industry shares. Today's ITVARs provide far more than products alone. We deliver the integration, expertise, cybersecurity, supply chain support, and mission-focused services that federal agencies rely upon every day. As the federal government works to strengthen America's industrial base and national security posture, it is important that small business policies evolve as well. Our industry plays a critical role in connecting government agencies with innovative solutions, supporting mission readiness, strengthening supply chain resilience, and creating opportunities for veterans and other highly skilled professionals.

Modernizing industry classifications, size standards, and compliance frameworks will not only benefit small businesses; it will strengthen competition, expand the supplier base, and help ensure the government maintains access to the technology capabilities necessary to meet evolving national security challenges. A strong and resilient industrial base depends on the continued success of the small businesses that support it.

Thank you for the opportunity to testify today. I appreciate the Committee's continued attention to these issues and support of small business and veteran contractors across the country.

Written Testimony of Angela Dingle

President and CEO, Women Impacting Public Policy (WIPP)

Prepared for the House Small Business Committee

June 3, 2026

"Restoring America's Industrial Base: The Role of Small Businesses in National Security"

Background on Angela Dingle and WIPP

My name is Angela Dingle, and I am the President and CEO of Women Impacting Public Policy (WIPP).

WIPP is a national, nonpartisan organization that has advocated on behalf of women entrepreneurs since 2001. We are a voice in Washington for the more than 14 million women-owned businesses in the United States, working with lawmakers to advance economic opportunity, procurement inclusion, and access to the global marketplace.

I do not come to this issue only as an advocate. I am also a small business owner. I founded Ex Nihilo Management, an award-winning technology and management consultancy specializing in governance, risk management, and cybersecurity, and over more than two decades in the federal marketplace I have led public and private sector contract engagements valued at over $40 million. As a former SBA-certified Woman-Owned Small Business, I have lived the realities I describe here—competing for federal work, navigating the rules, and weighing whether the next opportunity is worth the investment.

A Shrinking Industrial Base

This committee has framed today's hearing around the right premise: a strong industrial base is a matter of national security, and small businesses are central to it. We are the innovators, the agile suppliers, and the surge capacity the government depends on when the mission demands speed. A procurement system built on a broad base of small firms is more competitive, more resilient, and harder for our adversaries to disrupt. A narrow one is a vulnerability.

That base is shrinking. In fiscal year 2024, the federal government awarded $183 billion in prime contracts to small businesses.[1] Yet the number of firms doing that work has been cut nearly in half—from roughly 121,000 in 2009 to about 63,000 in 2022.[2] Record dollars are flowing to

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[1]U.S. Small Business Administration, "Administration Awards Record-Breaking $183B in Federal Contracts to Small Businesses" (Jan. 10, 2025), https://www.sba.gov/article/2025/01/10/biden-harris-administration-awards-record-breaking-183b-federal-contracts-small-businesses-marking.

[2]U.S. Small Business Administration, Small Business Procurement Data Hub, https://www.sba.gov/federal-contracting/contracting-data; see also Office of U.S. Senator Joni Ernst, "Ernst Fights to Stop Easy A's at the SBA" (number of small businesses receiving federal contracts fell from 121,181 in 2009 to 62,670 in 2022),

fewer and fewer companies. The trend is sharper at the Department of Defense, where the independent Section 809 Panel found that DoD small business contract actions fell by nearly 70 percent between FY2011 and FY2016.[3] Each firm that leaves takes its innovation and capacity with it, leaving agencies more dependent on a shrinking group of large incumbents—reducing competition, raising costs, and weakening the government's own leverage.

What is driving small businesses out is unpredictability**.** The current environment has compounded that uncertainty. A wave of executive orders, abrupt contract cancellations, agency reorganizations, and reductions in the federal workforce has made the market far harder to plan around—and broad efforts to reshape the government have, at times, swept in the very programs and offices that small firms depend on. Business owners, especially federal contractors, must factor risk into every decision: how time is spent, how services and products are priced and whether to pursue an opportunity at all. When the rules and the funding can change without warning, the rational response for many small firms is to redirect their energy to the commercial market, which offers fewer barriers and a more welcoming environment. Every firm that makes that choice is a loss to the industrial base.

The Importance of Codifying the Rule of Two

Let me begin this section on an encouraging note. This Committee recently approved H.R. 2804, the *Protecting Small Business Competitions Act of 2025*, which would for the first time codify the Rule of Two into statute.[4] The bill advanced unanimously—23 to 0—and now moves to the full House. That bipartisan vote sent a powerful signal: the Rule of Two is essential to a competitive and accessible federal marketplace. WIPP commends the Committee's leadership, and we urge the full House to pass it and the Senate to follow. Last fall, our board chair, Sue Tellier testified before this committee in support of the Rule of Two, and as President and CEO of Women Impacting Public Policy, I am proud to do the same.

Codification matters precisely because a protection is only as durable as its legal footing. The Rule of Two has been buffeted by shifting regulation—most recently, the FAR Council withdrew a proposed rule that would have applied it across most contracting vehicles. The SBA itself had estimated that applying the Rule of Two to multiple-award contracts could add up to $6 billion

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https://www.ernst.senate.gov/news/press-releases/ernst-fights-to-stop-easy-as-at-the-sba-give-more-small-businesses-access-to-federal-contracts.

[3] Section 809 Panel, Report of the Advisory Panel on Streamlining and Codifying Acquisition Regulations, Vol. 3 (Jan. 2019). The Panel reported that the number of DoD small business contract actions fell nearly 70 percent from FY2011 to FY2016, even as the dollar value of those contracts rose substantially. The Panel's reports are archived by the Defense Acquisition University; confirm the current link and exact citation before submission.

[4] Protecting Small Business Competitions Act of 2025, H.R. 2804, 119th Cong. (2025) (sponsored by Rep. Nydía Velázquez), https://www.congress.gov/bill/119th-congress/house-bill/2804; companion bill S. 2656, 119th Cong. (2025). The House Small Business Committee approved an amended version by a vote of 23–0; the amendment provides that the Rule of Two does not apply to task and delivery orders, whereas the pending Senate bill would apply it to such orders.

per year in new small business contract spending.[5] Placing the rule in statute protects that opportunity from being eliminated by the next regulatory swing.

Codification is necessary, but it is not sufficient. It is not enough for this authority to exist on paper. There must be clear, enforceable processes that require contracting officers to apply it—a true "shall," applied consistently across vehicles. The Rule of Two gives small businesses the confidence that an investment of time and resources can lead to a meaningful win—not just a $249,000 award, but contracts worth millions. Without that confidence, small firms inevitably shift their focus elsewhere.

This is not only a small business concern; it is a competition concern. Weakening—or narrowing—the Rule of Two shrinks the pool of qualified contractors, leaving agencies reliant on a narrower group of large incumbents and reducing the government's purchasing power. That is the opposite of what a resilient industrial base requires.

The Women-Owned Small Business Program

The Women-Owned Small Business (WOSB) program illustrates both the promise and the problem. In fiscal year 2024, women-owned small businesses won $31.7 billion in federal contracts, and the certified WOSB program grew to more than 13,400 firms.[6] Women-owned businesses are competing, qualifying, and delivering.

And yet the government has never consistently met its modest 5 percent statutory contracting goal for women-owned small businesses. I want to be clear about where responsibility for that shortfall lies. It is not a shortage of capable women-owned firms ready to bid and win—there is no such shortage. The goal is the government's to meet, and the reasons it goes unmet are structural and within the government's own control.

Consider how little of the credited spending actually flows through the program designed to drive it. Of the more than $30 billion counted toward the WOSB goal, only about $1.75 million came through WOSB-only set-aside competitions.[7] The pattern repeats across socio-economic programs: in FY2023, only about $3 billion of the $17.5 billion counted toward the HUBZone goal—roughly 17 percent—was actually awarded through HUBZone set-asides, and once the

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[5] Small Business Contracting: Increasing Small Business Participation on Multiple Award Contracts, 89 Fed. Reg. (proposed Oct. 25, 2024), https://www.federalregister.gov/documents/2024/10/25/2024-24716/small-business-contracting-increasing-small-business-participation-on-multiple-award-contracts (SBA estimating the change could add up to $6 billion per year in small business contract spending).

[6] U.S. Small Business Administration, Fiscal Year 2024 Small Business Federal Procurement Scorecard and accompanying fact sheet, https://www.sba.gov/federal-contracting/contracting-data/small-business-procurement-scorecard. The WOSB program is measured against a separate 5% statutory contracting goal, which the federal government has not consistently met.

[7] Figures derived from the SBA Small Business Federal Procurement Scorecard and Federal Procurement Data System (FPDS) data on set-aside obligations by socio-economic category; WOSB and HUBZone figures reflect FY2023 unless otherwise noted.

VA's unique Vets First authority is excluded, SDVOSB set-asides totaled only $5.5 billion. Agencies are receiving credit toward their goals through contracts that were never set aside for these firms in the first place.

The barriers are well known to those of us who live them: a certification and compliance burden that falls hardest on the smallest firms; contracting officers who, under socio-economic parity, default to the vehicles and programs they find administratively easiest; the steady pull of contract bundling and category management, which packages requirements into awards too large for small firms to win; and prime-subcontractor dynamics that too often leave small businesses with promises at proposal time and little follow-through after award. None of these is a reflection of women-owned firms' capacity to perform. They are features of how the government buys—and they are fixable.

The answer is not to lower our expectations of small businesses. **It is to hold the government accountable for the goals Congress already set**—by codifying the Rule of Two and applying it consistently, simplifying certification, and measuring agencies on set-aside dollars actually awarded, not credit claimed after the fact.

Offices of Small and Disadvantaged Business Utilization (OSDBUs)

A program is only as strong as the people charged with making it work. The Offices of Small and Disadvantaged Business Utilization (OSDBUs) are the in-house advocates meant to connect small firms with opportunity inside each agency—and today, many are understaffed or not staffed at all. In some cases this is an unintended consequence of broad efforts to reshape the federal workforce: reviews aimed elsewhere have swept in offices and resources that are essential to small business participation. Whatever the cause, the effect is the same. When the OSDBU sits empty, small businesses lose their guide through the federal market, market research suffers, and set-aside opportunities go unidentified. Congress should ensure these offices—at SBA and across federal agencies—are adequately funded and staffed.

Why This Matters Beyond Small Business

The case for protecting small business participation is ultimately a case about national security, value, and resilience. Small and diverse businesses broaden the supplier base—which is exactly what a resilient industrial base requires: more sources, more competition, and less dependence on a handful of large primes whose disruption would ripple through the entire supply chain. They bring the innovation and agility that help agencies meet mission needs quickly, and the competition they create delivers better value for taxpayers. The technologies and capabilities small firms develop also strengthen America's competitive edge in the global marketplace. When we push small firms out, we do not just lose individual companies—we hollow out the lower tiers of the supply chain that larger contractors and the government both depend on.

Conclusion

Let me close where I began. Socio-economic set-aside programs are not acts of charity. They exist to ensure the government benefits from the innovation, competition, and value that small and diverse businesses bring. By broadening participation, these programs expand the supplier base, strengthen competition, and deliver better outcomes for agencies and taxpayers alike.

Small businesses are not just beneficiaries of federal contracts—we are essential partners in this nation's security and prosperity. I urge this committee to codify the Rule of Two and apply it consistently, to protect and properly staff the offices and programs that sustain small business participation, and to hold the government accountable for the goals it has already set. Protecting and expanding our role in federal procurement is not only sound policy—it is a strategic imperative.

WOMEN IMPACTING
PUBLIC POLICY

The Future of Innovation Depends on Whether Small Businesses Are at the Table

May 21, 2026, by Angela Dingle, President & CEO, Women Impacting Public Policy

As policymakers debate the future of artificial intelligence, much of the conversation has focused on hypothetical risks and worst-case scenarios. But for millions of small business owners across the country, the stakes are far more immediate and practical.

Small businesses make up 99.9% of all U.S. firms and account for more than 43% of GDP, according to the Small Business Administration Office of Advocacy, anchoring local economies and driving national growth. Yet too often the conversation about emerging technologies like AI is happening without them.

During National Small Business Month, that disconnect should give us pause. Not because innovation is moving too fast, but because we risk leaving behind the very businesses that power our economy.

A new economic era is taking shape, driven by rapid advances in artificial intelligence and other emerging technologies. While much of the public debate has focused on potential risks, small businesses are already demonstrating what responsible, real-world adoption looks like.

According to a recent national survey of small businesses by Reimagine Main Street, over 75% are already using or actively exploring AI tools, and most expect the benefits to outweigh the risks. For many, AI is not theoretical — it is helping them save time, improve productivity, and compete more effectively in crowded markets.

Among businesses already using AI, the vast majority report tangible value from marketing and customer engagement to operational efficiency and innovation. These are not abstract gains, but the kinds of incremental improvements that allow small businesses to grow, hire and reinvest in their communities.

This is why narratives that focus exclusively on slowing or restricting innovation miss the mark.

For small businesses, the greater risk is not that innovation is moving too quickly, but rather that

that they will be locked out of it. When new technologies become harder to access, more expensive to implement, or shaped without input from smaller firms, the result is not safety. It is consolidation.

We have seen this pattern before. When markets evolve without thoughtful inclusion, advantages concentrate among the largest players, and the competitive landscape narrows.

AI does not have to follow that path, but it will if small businesses are treated as an afterthought rather than a central stakeholder.

A more balanced approach would start with three practical shifts.

First, policymakers must prioritize access. Many small businesses are eager to adopt AI but face barriers like cost, complexity and limited time to implement new tools. Expanding technical assistance, supporting training and encouraging affordable solutions can help turn interest into adoption.

Second, transparency must be built into the system. As AI increasingly shapes decisions about pricing, hiring and access to capital, small businesses need clarity to participate with confidence.

Third, competition policy must keep pace with innovation. Ensuring that emerging markets remain open is not about slowing progress, but about preserving the conditions that allow entrepreneurship to thrive.

National Small Business Month is a reminder that America's economic strength has never come from a handful of dominant players. It comes from the millions of entrepreneurs who create opportunity in every corner of the country and who have historically driven the majority of net new job creation in the United States.

As we navigate the next phase of technological change, the goal should not simply be to lead in innovation. It should be to ensure that innovation strengthens the full breadth of the American economy.

That starts by making sure small businesses are not just adapting to the future, but helping define it.

Angela Dingle is president and CEO of Women Impacting Public Policy, a national bipartisan organization advocating for women entrepreneurs and small businesses. She works closely with policymakers and business leaders to advance policies that support economic growth and opportunity.

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