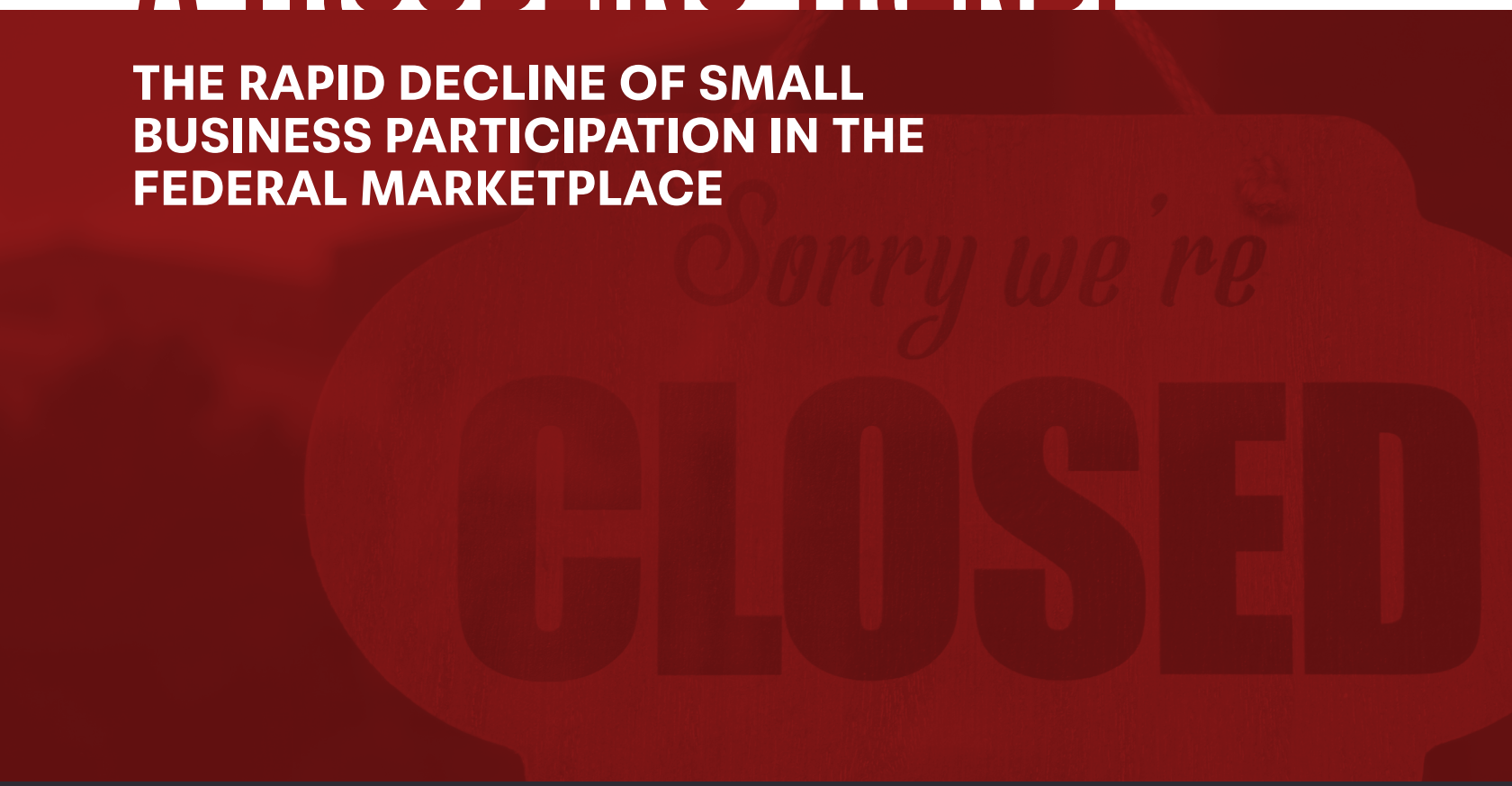
SBCGOP

SENATOR JONI ERNST
RANKING MEMBER

A TROUBLING TREND:

THE RAPID DECLINE OF SMALL BUSINESS PARTICIPATION IN THE FEDERAL MARKETPLACE





EXECUTIVE SUMMARY

Small businesses[1] are crucial to the United States Federal Government (USG). They represent a significant portion of the workforce and perform an array of overlooked, yet necessary, tasks that make the American way of life possible. Small businesses operate at the vanguard of new innovations, bringing vital technologies to bear. They are the linchpin to a strong national defense, fortifying military supply chains, and providing a myriad of goods and services necessary to maintain combat readiness. They drive necessary competition, challenging established vendors with forward-thinking ideas and new solutions and encouraging better pricing, ultimately saving taxpayers' dollars. Therefore, it is imperative to understand the current state of the USG's engagement with this crucial sector of firms, and aggressively work to encourage and enhance small business engagement within the federal marketplace.

KEY TAKEAWAYS

- Small business engagement is in steep decline. The USG has lost approximately half of its small business vendors since Fiscal Year (FY) 2008, the year with the highest level of small business engagement (144,774). In FY 2023, the number of individual small business vendors (74,716) remained nearly unchanged compared to 20 years prior (74,042 small business vendors in FY 2003). This reveals a concerning stagnancy that belies the USG's inability to attract and retain capable small businesses and suppliers.

- Despite declining engagement, the reported government dollars allocated to remaining small businesses is increasing. Since FY 2015 the U.S. Small Business Administration (SBA) has reported yearly increases in government-wide small business spending. These awards totaled $90.7 billion in FY 2015, $100 billion in FY 2016, $105.7 billion in FY 2017, $120.8 billion in FY 2018, $132.9 billion in FY 2019, $145.7 billion in FY 2020, $154.2 billion in FY 2021, $162.9 billion in FY 2022, and $178.6 billion to small businesses in FY 2023.[2] This trend seems to indicate a willingness within the USG to award contracts to small businesses. In reality it signals an unhealthy consolidation within the federal supplier base and an entrenchment of established contractors capturing a growing market share of overall small business dollars, to the detriment of new and emerging firms seeking to capture the same market share.

[1] Small businesses, for the purposes of federal procurement, are defined in 15 U.S.C. 632 as a business that is "independently owned and operated and which is not dominant in its field of operation." The statute further establishes the development of size standards by which a business concern may be determined to be small, which includes revenue or employee-based size standards corresponding to a particular industry.

[2] Prior to FY 2015, small business spending hovered at approximately $90-80 billion (B), with the SBA reporting $91.7B in FY 2014, $83.1B in FY 2013, $89.9B in FY 2012, $91.5B FY 2011, $97.9B in FY 2010, $96.8B in FY 2009, $93.3B in FY 2008, and $83.2B in FY 2007. FY 2007 was the first year the SBA began publicly reporting small business spending data. See SBA, Small Business Procurement Scorecard Overview, *available at* https://www.sba.gov/document/support-small-business-procurement-scorecard-overview (last visited Jul. 25, 2024).



WHAT IS THE FEDERAL SUPPLIER BASE?

The Federal Supplier Base (FSB) includes an array of entities, including large contractors, small businesses, research institutions, and various service providers.[3] This multifaceted network is critical for building resilient supply chains, establishing economic stability, maintaining military readiness, and spurring innovation. [4] Within the FSB is the "Defense Industrial Base" (DIB), which refers to the collective infrastructure and "domestic sources which are providing, or which would be reasonably expected to provide, materials or services to meet national defense requirements during peacetime, national emergency, or war."

IMPORTANCE OF SMALL BUSINESSES IN THE FEDERAL SUPPLIER BASE

Small businesses play a pivotal role in the FSB, contributing to the rapid development of new technologies, and providing flexibility and speed in the delivery of goods and services to all government customers. As will be discussed in detail below, small businesses drive competition, spur innovation, and are critical to the national defense.

SMALL BUSINESSES DRIVE NECESSARY COMPETITION

The level of competition present in the federal marketplace is an indicator of the range of FSB capabilities, which are used to meet USG objectives. Lower levels of competition indicate a narrower selection of services due to business consolidation, which negatively affects the overall efficiency of the federal marketplace. Such inefficiencies may manifest in supply shortages, developing single points of failure, and gaps in service and product delivery at scale within relevant timeframes.[5] These weaknesses may be consequential in situations involving national security, disaster aid, and other time-sensitive governmental services. [6]

Lack of competition can also result in higher costs to taxpayers as acquisition costs rise, due to a diminished motivation by contractors to offer fair pricing and enhance cost efficiency, as well as innovation and performance stagnation.[7] Established firms may leverage their strong market position to charge more to the federal government.[8] These monopolistic behaviors raise the risk of unregulated costs, which wastes taxpayers' dollars.[9]

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[3] For the purposes of this report, the FSB refers to the collection of businesses providing goods and services as part of the federal marketplace.
[4] LUKE A. NICASTRO, CONG. RSCH. SERV. (IF10548), DEFENSE PRIMER: U.S. DEFENSE INDUSTRIAL BASE (Apr. 17, 2023), *available at* https://www.crs.gov/Reports/IF10548?source=search.
[5] 50 U.S.C. §4552(7).
[6] OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT, DEPARTMENT OF DEFENSE, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE (Feb. 2022), *available at* https://media.defense.gov/2022/Feb/15/2002939087/-1/-1/1/STATE-OF-COMPETITION-WITHIN-THE-DEFENSE-INDUSTRIAL-BASE.PDF [hereinafter Feb. 2022 DOD DIB Report].
[7] DEPARTMENT OF DEFENSE, NATIONAL DEFENSE INDUSTRIAL STRATEGY (Nov. 2023), *available at* https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf [hereinafter DOD Industrial Strategy]; *see also* Feb. 2022 DOD DIB Report, *supra* note 6.
[hereinafter DOD Small Business Strategy].
[8] DEPARTMENT OF DEFENSE, SMALL BUSIzNESS STRATEGY 5 (Jan. 26, 2023), *available at* https://media.defense.gov/2023/Jan/26/2003150linch429/-1/-1/0/SMALL-BUSINESS-STRATEGY.PDF or https://www.defense.gov/News/Releases/Release/Article/3279279/dod-releases-small-business-strategy/ [hereinafter DOD Small Business Strategy].
[9] Feb. 2022 DOD DIB Report, *supra* note 6



For example, a 2019 Department of Defense Office of Inspector General (DoD OIG) report found a global leader in engineered aerospace products, TransDigm Group Inc., had amassed "excess profit" on 46 of the 47 types of parts that were sold to the Defense Logistics Agency (DLA) and the United States Army.[10] A follow-up audit by the DoD OIG in 2021 discovered that although contracts were awarded in accordance with policy, TransDigm garnered excess profits of at least $20.8 million for 105 spare parts on 150 contracts.[11] This raises concerns that if business consolidation continues, established contractors like TransDigm will be at the liberty to continue raising prices, creating a dangerous cycle in which USG expenses increase unnecessarily and newer, smaller businesses are discouraged from entering the market.[12] The presence of new firms in the federal vendor pipeline creates necessary competition. This is critical to generating cost savings and preventing monopolistic practices, and their entrance is contingent on a federal marketplace that is friendly and accessible to newcomers.

SMALL BUSINESSES GENERATE NEW INNOVATIONS AND TECHNOLOGIES

As the nation continues to evolve, so does the composition of the FSB and the DIB. According to the Government Accountability Office (GAO), the DIB is shifting away from a concentration on heavy industrial manufacturing and moving toward new technology which necessitates the involvement of different industry partners, including contractors who do not typically work with the Department of Defense (DoD) (i.e. small and nontraditional contractors).[13] In FY 2021, small businesses made up 77 percent of the research and development (R&D) companies that did business with the DoD.[14] More broadly, small companies hire 43 percent of all high tech jobs in the country, generating 16.5 times more patents than their large counterparts.[15] Typically, small businesses can outturn new prototypes at a faster rate than large corporations, which allows for rapid adaptation to changing geopolitical conditions and reinforcement of military readiness.[16] Through sustained competition and subsequent growth, these firms represent the next generation of businesses poised to deliver the next generation of products and services necessary to foster a dynamic and resilient domestic defense ecosystem.

SMALL BUSINESSES ARE CRITICAL TO THE NATIONAL DEFENSE

As the global geopolitical landscape evolves, the USG must continually assess and strengthen its DIB to ensure the nation's ability to defend itself and maintain strategic advantages against foreign adversaries.[17] A strong DIB is not measured solely by the strength of the largest defense contractors, but rather the health of the unsung heroes of the defense ecosystem: America's small businesses that support these large prime contractors. In FY 2021, small business subcontractors constituted 73 percent of all businesses who worked with the DoD.[18] Furthermore, a 2023 DoD Contract Finance Study cited a 2010 GAO estimate that 60 percent to 70 percent of all defense work is being performed by subcontractors, and certain industries aim to outsource up to 80 percent of the work.[19]

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[10] DOD Industrial Strategy, *supra* note 7.
[11] INSPECTOR GENERAL, DOD, DODIG-2019-060, REVIEW OF PARTS PURCHASED FROM TRANSDIGM GROUP, INC. 7 (Feb. 25, 2019), *available at* https://media.defense.gov/2019/Feb/27/2002093922/-1/-1/1/DODIG-2019-060.PDF.
[12] INSPECTOR GENERAL, DOD, DODIG-2022-043, (U) AUDIT OF THE BUSINESS MODEL FOR TRANSDIGM GROUP INC. AND ITS IMPACT ON DEPARTMENT OF DEFENSE SPARE PARTS PRICING 37 (Dec. 13, 2021), *available at* https://media.defense.gov/2021/Dec/27/2002914678/-1/-1/1/DODIG-2022-043%20508.PDF.
[13] AMANDA BRESLER & ALEX BRESLER, ANALYZING THE COMPOSITION OF THE DEPARTMENT OF DEFENSE SMALL BUSINESS INDUSTRIAL BASE (May 2, 2022), *available at* https://dair.nps.edu/bitstream/123456789/4550/1/SYM-AM-22-037.pdf.
[14] GAO, GAO-19-406, CONTRACT FINANCING: DOD SHOULD COMPREHENSIVELY ASSESS HOW ITS POLICIES AFFECT THE DEFENSE INDUSTRY 19 (Jun. 27, 2019), *available at* https://www.gao.gov/assets/gao-19-406.pdf.
[15] DOD Small Business Strategy, *supra* note 8.
[16] *Id.*
[17] DOD Industrial Strategy, *supra* note 7.
[18] DOD Small Business Strategy, *supra* note 8; *see also* SEN. ROGER WICKER, 21ST CENTURY PEACE THROUGH STRENGTH: A GENERATIONAL INVESTMENT IN THE U.S. MILITARY 1-4 (May 29, 2024), *available at* https://www.wicker.senate.gov/services/files/bc957888-0a93-432f-a49e-6202768a9ce0.
[19] DOD Small Business Strategy, *supra* note 8.

From its highest levels, the DoD has acknowledged a growing recognition of the value small businesses bring to the defense mission. In a 2023 statement by Deputy Secretary of Defense Dr. Kathleen Hicks, she noted "(f)rom manufacturers providing the critical parts that we need for our arsenal – to technology companies developing innovative systems and capabilities – small businesses are vital along the entire spectrum of the Department's needs."[20] Small businesses fortify military supply chains and provide a myriad of goods and services necessary to maintain combat readiness. With technology experiencing quantum leaps in advancement over these past decades, small businesses are leading the way, allowing the DoD to stay on the cutting edge. This sentiment is echoed at the DoD procurement level by Dr. William LaPlante, Under Secretary of Defense for Acquisition and Sustainment, who highlighted the benefits that small businesses have in "developing, delivering, and sustaining the critical capabili-ties that are required to further implement the National Defense Strategy."[21]

Despite this growing recognition, the DIB continues to experience a small business exodus, declining over 40 percent in the past decade.[22] Years-long consolidation in the defense marketplace exposed concerning vulnerabilities in the DIB, such as supply chain fragility and the reduction of competition and innovation needed to provide optimal support to the warfighter.[23] Since the 1990s, the DIB has been consolidated from 51 to 5 aerospace and defense prime contractors.[24] According to the DoD's 2023 Contract Finance Study Report, the top ten firms in the Aerospace & Defense sector accounted for 80 percent of the total revenue in a data set of 146 firms.[25] The top four largest firms accounted for 50 percent of total revenue.[26]

According to military experts, "the biggest risk for the Pentagon is that it receives no bids for some programs, or only from a company that can't fully meet project specifications."[27] As the DIB experiences greater contraction, power becomes concentrated among established contractors, which may dissuade new players from entering the federal marketplace. Not only does this limit competition as described previously, but more concerningly, limits the diversity of skills and expertise available to the DoD in service to the national defense. Thus, the DoD must take immediate action to understand its weaknesses and shortcomings within the small business DIB. Further, the DoD must actively and aggressively work to harness the full power and potential of small businesses within the defense arsenal.

DATA SHOWS SIGNIFICANT LOSS OF SMALL BUSINESSES WITHIN THE FSB

Despite that nearly every year over the past decade the SBA has touted "record-breaking" increases in the USG's small business awards, the number of small businesses receiving awards continues to spiral downward.[28] Since its peak of 144,744 small businesses in FY 2008, the small business vendor base has nearly halved, experiencing a 48.4 percent decrease in the number of individual small businesses awarded contracts in FY 2023 (74,617 small businesses). Even when considering only the procurement activities of the past decade (FY 2013-FY 2023), the USG has seen a 33 percent decrease in small business vendors.[29] Conversely, the USG has awarded an increasing amount of dollars to small businesses between 2001-2023, reaching year-over-year record highs since FY 2015.[30]

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[20] DEFENSE PRICING AND CONTRACTING, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT, DEPARTMENT OF DEFENSE, CONTRACT FINANCE STUDY REPORT 6 (Apr. 6, 2023), *available at* https://www.acq.osd.mil/asda/dpc/pcf/docs/finance-study/FINAL%20-%20Defense%20Contract%20Finance%20Study%20Report%204.6.23.pdf [hereinafter DOD Contract Finance Study]; see also GAO, GAO-11-61R, DEFENSE ACQUISITIONS: ADDITIONAL GUIDANCE NEEDED TO IMPROVE VISIBILITY INTO THE STRUCTURE AND MANAGEMENT OF MAJOR WEAPON SYSTEM SUBCONTRACTS (Oct. 28, 2010), available at https://www.gao.gov/assets/gao-11-61r.pdf.

[21] Press Release, DOD, DoD Releases Small Business Strategy (Jan. 26, 2023), *available at* https://www.defense.gov/News/Releases/Release/Article/3279279/dod-releases-small-business-strategy/.

[22] *Id.*

[23] DOD Small Business Strategy, *supra* note 8.

[24] *Id.*

[25] COMMISSION ON THE FUTURE OF THE UNITED STATES AEROSPACE INDUSTRY, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, FINAL REPORT OF THE COMMISSION ON THE FUTURE OF THE UNITED STATES AEROSPACE INDUSTRY (Nov. 2002), *available at* https://www.nasa.gov/wp-content/uploads/2024/01/aerocommissionfinalreport.pdf.

[26] DOD Contract Finance Study, *supra* note 20.

[27] *Id.*

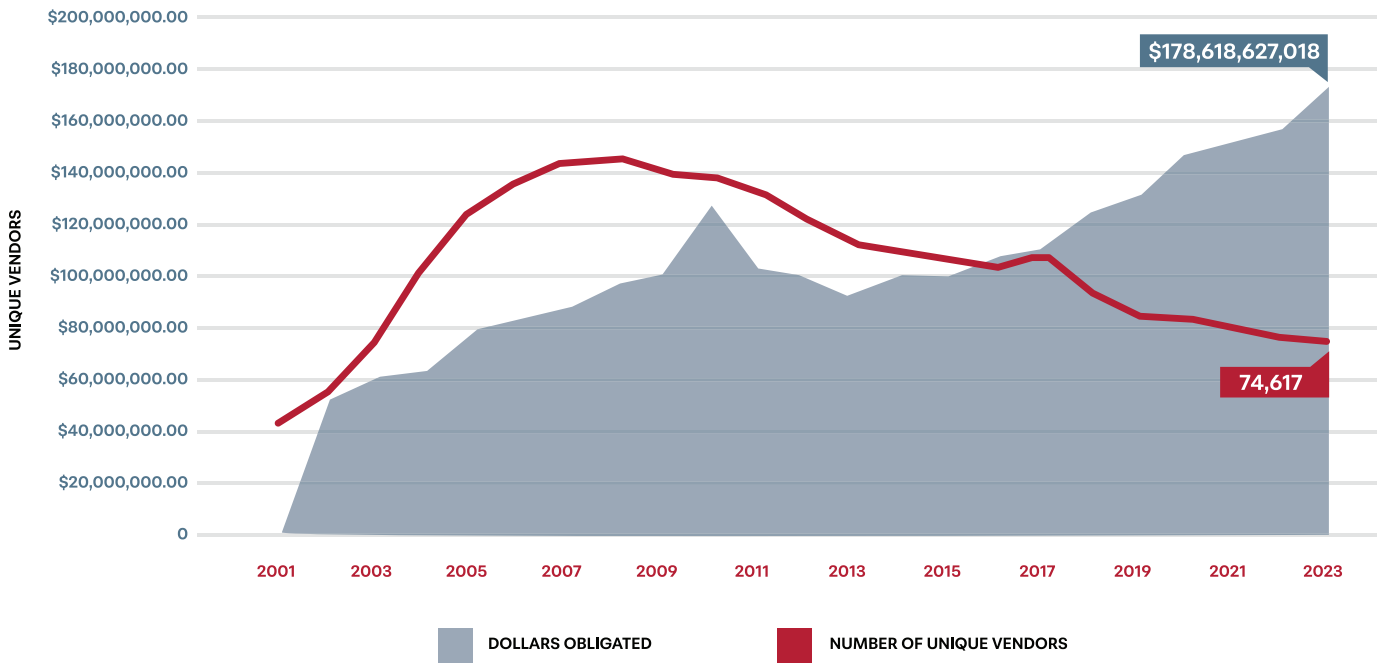
[28] Doug Cameron & Drew FitzGerald, Why Defense Contractors Are Saying No to Their Biggest Customer: The Pentagon, WALL ST. J., (Jan. 30, 2024, 5:30 AM), *available at* https://www.wsj.com/politics/national-security/why-defense-contractors-are-saying-no-to-their-biggest-customer-the-pentagon-ad557306

[29] SAM.GOV, DATA BANK, Contract Data Reports, Static Reports, *available at* https://sam.gov/reports/awards/static (last visited Jul. 25, 2024).

[30] *Id.* Data extracted for fiscal years 2013 (111.398 unique small business vendors) through 2023 (74,617 unique small business vendors).

The chart below depicts the stark contrast between the growth in small business dollar awards and the decline in small business vendors from FY 2010-2023. While the USG publicly touts its small business achievements, this distracts and deflects from the fact that the USG is not adequately maximizing its engagement with small businesses. The USG has continued over time to implement acquisition strategies, such as contract consolidation and contract bundling,[31] that continue to deter small firms from working with the USG, while hiding behind these rising dollar figures as proof positive of its commitment to small businesses.

NUMBER OF UNIQUE SMALL BUSINESS VENDORS COMPARED TO TOTAL SMALL BUSINESS DOLLAR AWARDS



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023.

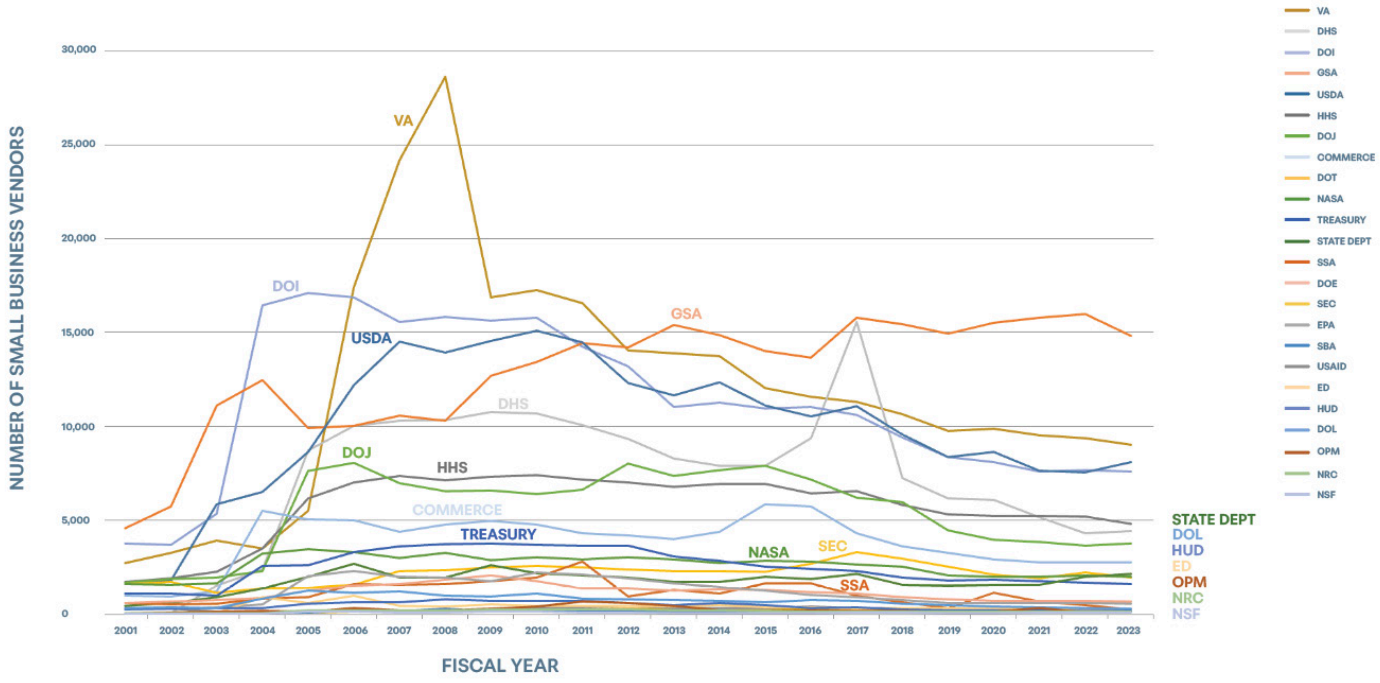
NEARLY ALL FEDERAL AGENCIES EXPERIENCED A LOSS OF SMALL BUSINESSES OVER TIME

Unfortunately, the data shows that this decline is not unique to any one federal agency. Rather, it is felt across government, impacting nearly all 24 Chief Financial Officer (CFO) agencies. The graph below illustrates the number of unique small businesses awarded contracts by each federal agency from FY 2001-2023.[32] Detailed small business vendor count information for each agency can be found in the Appendix of this report.

[31] SBA, *Small Business Procurement Scorecard Overview, available at* https://www.sba.gov/document/support-small-business-procurement-scorecard-overview (last visited Jul. 25, 2024). Small business awards totaled $90.7 billion in FY 2015, $100 billion in FY 2016, $105.7 billion in FY 2017, $120.8 billion in FY 2018, $132.9 billion in FY 2019, $145.7 billion in FY 2020, $154.2 billion in FY 2021, $162.9 billion in FY 2022, and $178.6 billion to small businesses in FY 2023.

[32] *The Impact of Category Management on the Small Business Industrial Base: Hearing Before the H. Comm. on Small Business, 115th Cong.* (June 2018).

FEDERAL AGENCY RATE OF CHANGE OF SMALL BUSINESSES AWARDED CONTRACTS OVER TIME (FY2001-2023)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023

To further examine agencies loss of small businesses, the table below shows the mean (average) and median (middle number) small business vendor counts for each agency between FY 2001-2023 and calculates the rate of change in small businesses. The data indicates that, overall, the USG experienced almost a 30 percent decline in small businesses in this time period. All federal agencies experienced either stagnation or a decline in the number of unique small businesses awarded contracts. Of these agencies, one (the SSA) lost over 75 percent of its average count of small businesses, five lost over 50 percent of its average count of small businesses (SSA, HUD, EPA, DOL, OPM), and thirteen agencies lost over 25 percent of its average count of small businesses (DoD, Treasury, SSA, HUD, EPA, DOL, DOJ, DOI, DOE, DHS, Dept. of Ed., Dept. of Commerce, OPM). Only three agencies, the General Services Administration (GSA), U.S Department of State (State), and the National Science Foundation (NSF) saw an average increase in small businesses; however, this growth seems minimal considering the data is measured over the course of the past twenty years.



MEAN AND MEDIAN SMALL BUSINESS COUNTS FY 2001-2023

AGENCY	CURRENT SB COUNT (FY 2023)	MEDIAN SB COUNT (FY2001-2023)	MEDIAN VS. FY23 CHANGE	MEAN SB COUNT (FY2001-2023)	MEAN VS. FY23 CHANGE
DEPARTMENT OF AGRICULTURE (USDA)	8,115	10,522	-22.9%	9,917	-18.2%
DEPARTMENT OF COMMERCE (DOC)	2,789	4,301	-35.2%	3,857	-27.7%
DEPARTMENT OF DEFENSE (DOD)	32,679	46,912	-30.3%	47,659	-31.4%
DEPARTMENT OF EDUCATION (ED)	268	359	-25.4%	402	-33.3%
DEPARTMENT OF ENERGY (DOE)	679	1,184	-42.7%	1,154	-41.2%
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)	4,813	6,453	-25.4%	5,714	-15.8%
DEPARTMENT OF HOMELAND SECURITY (DHS)	4,451	7,910	-43.7%	7,247	-38.6%
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)	186	390	-52.3%	448	-58.5%
DEPARTMENT OF THE INTERIOR (DOI)	7,606	11,048	-31.2%	11,185	-32.0%
DEPARTMENT OF JUSTICE (DOJ)	3,765	6,408	-41.2%	5,511	-31.7%
DEPARTMENT OF LABOR (DOL)	287	730	-60.7%	708	-59.5%
DEPARTMENT OF STATE (STATE)	2,154	1,942	10.9%	1,772	21.6%
DEPARTMENT OF TRANSPORTATION (DOT)	1,976	2,306	-14.3%	2,177	-9.2%
DEPARTMENT OF TREASURY (TREASURY)	1,610	2,551	-36.9%	2,509	-35.8%
DEPARTMENT OF VETERANS AFFAIRS (VA)	9,043	11,291	-19.9%	11,948	-24.3%
ENVIRONMENTAL PROTECTION AGENCY (EPA)	565	1,033	-45.3%	1,217	-53.6%
GENERAL SERVICES ADMINISTRATION (GSA)	14,838	14,028	5.8%	12,865	15.3%
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)	1,993	2,800	-28.8%	2,594	-23.8%
NATIONAL SCIENCE FOUNDATION (NSF)	105	93	12.9%	91	15.4%
NUCLEAR REGULATORY COMMISSION (NRC)	152	163	-6.8%	176	-13.6%
OFFICE OF PERSONNEL MANAGEMENT (OPM)	87	200	-56.5%	243	-64.2%
SMALL BUSINESS ADMINISTRATION (SBA)	126	168	-25.0%	152	-17.1%
SOCIAL SECURITY ADMINISTRATION (SSA)	244	982	-75.6%	1,130	-78.4%
GOVERNMENT-WIDE	**74,617**	**106,139**	**-29.7%**	**103,389**	**-27.8%**

Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023

The table below draws an additional comparison, identifying the year with the highest level of small business engagement in each agency, which this report designates as the "peak year," compared to the FY 2023 rate. This data shows that most peak years occurred over a decade ago, with major losses since. One agency, the SSA, experienced a loss of over 90 percent since their peak year. Seven agencies (SSA, HUD, EPA, DOL, DHS, Ed, OPM) experienced a loss of over 75% since their peak years. Fifteen agencies (DoD, VA, Treasury, SSA, SEC, HUD, EPA, DOL, DOJ, DOI, DOE, DHS, Ed, Commerce, OPM) experienced a loss of over 50 percent since their peak year. Of all agencies, the GSA experienced the smallest decline, less than 10 percent, since its peak year (FY 2022).

PEAK YEAR VS. FY23 SMALL BUSINESS COUNTS FY 2001-2023

AGENCY	PEAK YEAR	PEAK # OF VENDORS	CURRENT VENDORS (FY2023)	% CHANGE
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)	2012	441	252	-42.8%
DEPARTMENT OF AGRICULTURE (USDA)	2010	15,087	8,115	-46.2%
DEPARTMENT OF COMMERCE (DOC)	2015	5,866	2,789	-52.5%
DEPARTMENT OF DEFENSE (DOD)	2007	65,917	32,679	-50.4%
DEPARTMENT OF EDUCATION (ED)	2006	1,007	268	-73.4%
DEPARTMENT OF ENERGY (DOE)	2009	2,091	679	-67.5%
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)	2010	7,392	4,813	-34.8%
DEPARTMENT OF HOMELAND SECURITY (DHS)	2017	15,565	4,451	-71.4%
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)	2008	788	186	-76.3%
DEPARTMENT OF THE INTERIOR (DOI)	2005	17,091	7,606	-55.5%
DEPARTMENT OF JUSTICE (DOJ)	2006	8,077	3,765	-53.4%
DEPARTMENT OF LABOR (DOL)	2005	1,277	287	-77.5%
DEPARTMENT OF STATE (STATE)	2006	2,705	2,154	-20.3%
DEPARTMENT OF TRANSPORTATION (DOT)	2017	3,319	1,976	-40.5%
DEPARTMENT OF TREASURY (TREASURY)	2009	3,777	1,610	-57.3%
DEPARTMENT OF VETERANS AFFAIRS (VA)	2008	28,618	9,043	-68.4%
ENVIRONMENTAL PROTECTION AGENCY (EPA)	2006	2,301	565	-75.4%
GENERAL SERVICES ADMINISTRATION (GSA)	2022	16,003	14,838	-7.3%
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)	2005	3,479	1,993	-42.7%
NATIONAL SCIENCE FOUNDATION (NSF)	2005	156	105	-32.7%
NUCLEAR REGULATORY COMMISSION (NRC)	2009	255	152	-40.4%
OFFICE OF PERSONNEL MANAGEMENT (OPM)	2011	701	87	-87.6%
SMALL BUSINESS ADMINISTRATION (SBA)	2008	287	126	56.0%
SOCIAL SECURITY ADMINISTRATION (SSA)	2011	2,804	244	-91.2%
GOV-WIDE	**2008**	**144,774**	**74,617**	**-48.5%**

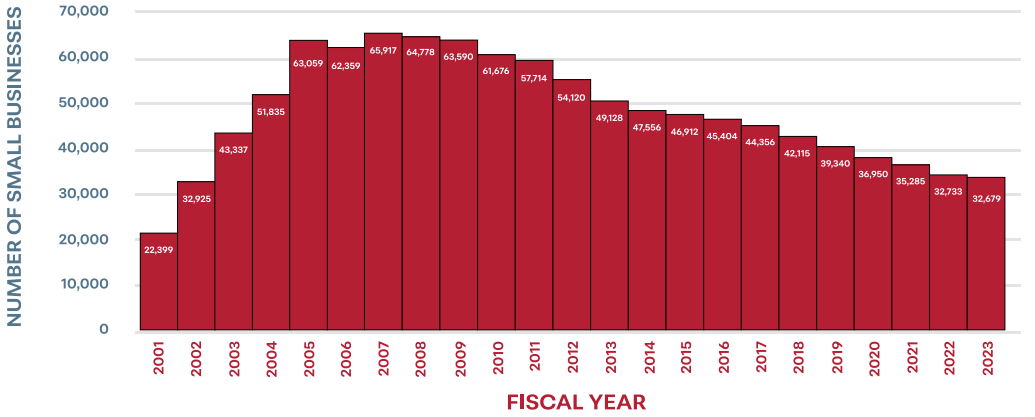
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023

DEPARTMENT OF DEFENSE LOSS OF SMALL BUSINESS VENDORS OVER TIME

The DoD commands the majority of federal agency spending on goods and services among the 24 CFO agencies. Because of its uniquely high purchasing power, it also contracts with the most vendors overall and has the largest impact on the overall trend line for the entire USG small business vendor base. The charts below visualize how closely the DoD's data compares to the overall USG data. A historical assessment of DoD vendor data shows that the agency worked with 22,399 unique small business vendors in FY 2001. Following the September 11th terrorist attacks and the wars in Iraq and Afghanistan, the DoD rapidly increased the number of unique small business vendors to a peak of 65,917 in FY 2007. In FY 2023, approximately half remain at 32,679 unique small businesses.

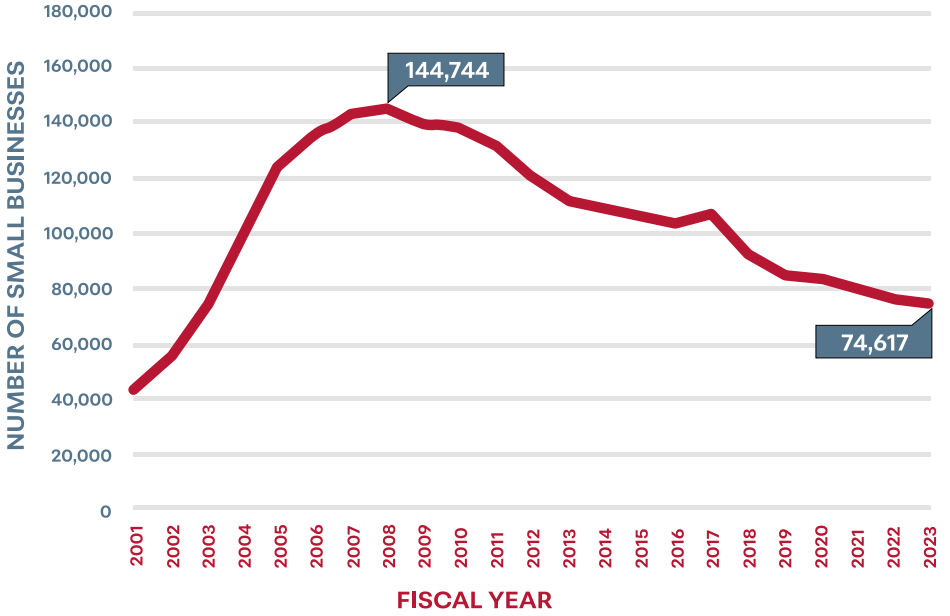
More recently, from FY 2016-2023, the decline continued at a rate of approximately 28 percent. While this was spread generally across all of the DoD's components, it is informative to examine the example of the DLA, which lost about 22 percent, or 3,000 vendors, from FY 2016 to 2022. Small businesses accounted for a vast portion, approximately 2,300, of those losses.[33] These losses are particularly worrisome, given the outsized impact small businesses have on national security domestically and around the globe.

DEPARTMENT OF DEFENSE SMALL BUSINESS VENDORS FY 2001-2023



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023

GOVERNMENT-WIDE SMALL BUSINESS VENDORS FY 2001-2023



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period 10/1/2000 to 9/30/2023

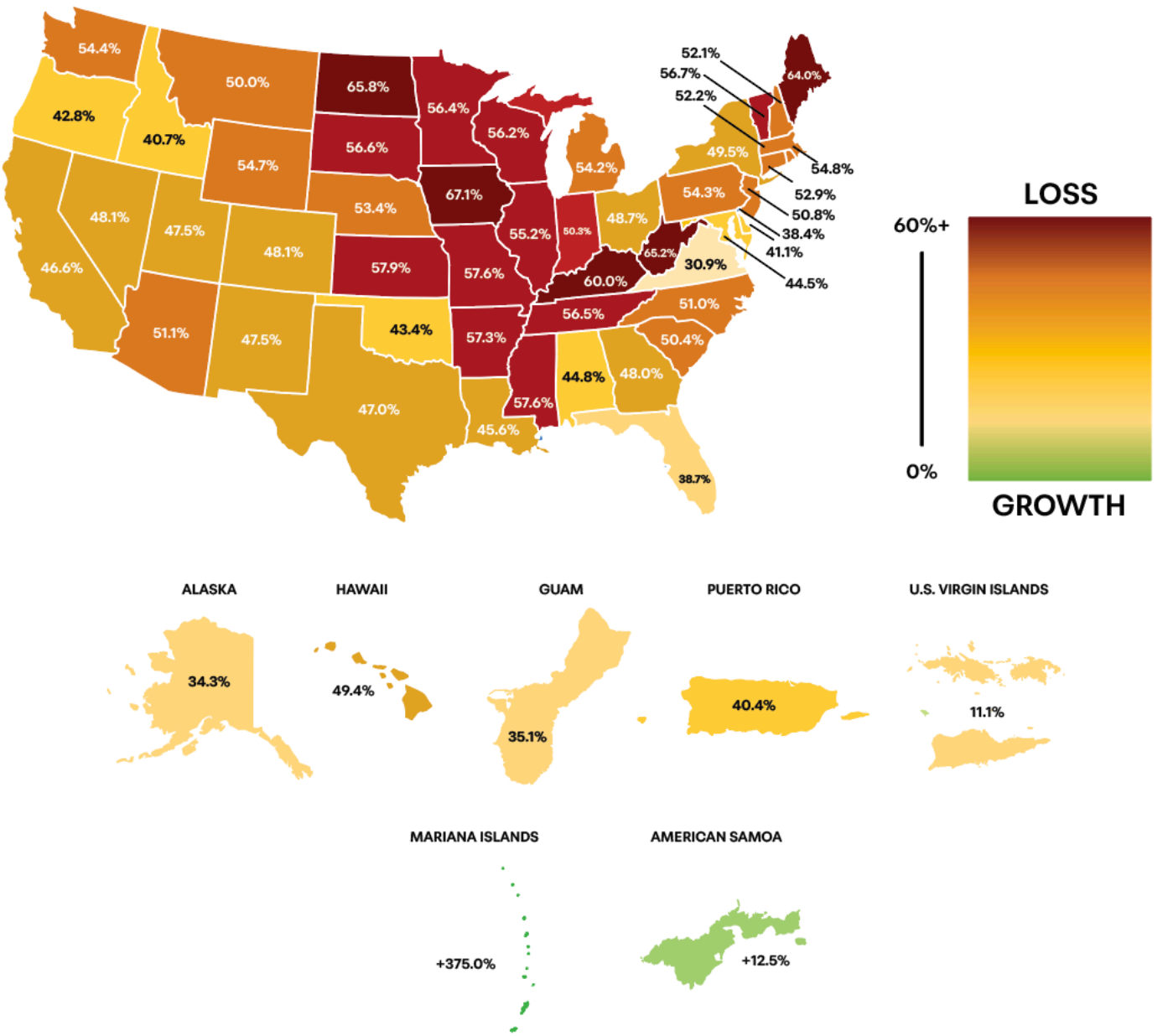
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[33] SBA, *Small Business Data HUB, Top Funding Offices and Vendors, available at* https://datahub.certify.sba.gov/ (last visited Jul. 26, 2024). Please refer to the Appendix for agency-specific data.

ALL STATES SUSTAINED SMALL BUSINESS VENDOR LOSSES OVER TIME

Similarly, the data shows that the loss in small business vendors is widespread across the nation, impacting both urban and rural states. Every state, with no exception, saw a decrease in small business vendors from FY 2010-2023. The sharpest declines in small business vendors by percentage occurred in Iowa (67.1 percent), Maine (64.0 percent), North Dakota (65.8 percent), and West Virginia (65.2 percent). Further, twenty states, and Puerto Rico and Guam experienced a 30-50 percent drop in small business vendor counts.

Only two territories experienced an increase. American Samoa saw a 12.5 percent increase in small businesses from FY 2011, the first-year data became available, to FY 2023. American Samoa began with eight small businesses in FY 2011, peaked to 12 small businesses in FY 2013 and FY 2018, and dropped back down to nine small businesses in FY 2023. Similarly, the Northern Mariana Islands saw a 375 percent increase from FY 2011-2023, starting with 4 small businesses in FY 2011, peaking to 27 small businesses in FY 2021, and similarly dropping down to 19 small businesses in FY 2023. While these territories did record an overall increase, the data also shows that the actual number of vendors gained is very small and FY 2023 numbers are also trending downward, compared to previous years.



Source: "Vendor Counts" filtered by State in https://datahub.certify.sba.gov/, a Small Business Administration dashboard that sources data from the SAM.gov data bank. Data pulled for years FY 2010-23.

PERCENTAGE CHANGE IN SMALL BUSINESSES BY STATE OR TERRITORY FROM FY 2010-2023

STATE	% CHANGE	STATE	% CHANGE
ALABAMA	-44.8%	NEBRASKA	-53.4%
ALASKA	-34.3%	NEVADA	-48.1%
ARIZONA	-51.1%	NEW HAMPSHIRE	-52.1%
AMERICAN SAMOA	12.5%	NEW JERSEY	-50.8%
ARKANSAS	-57.3%	NEW MEXICO	-55.6%
CALIFORNIA	-46.6%	NEW YORK	-49.5%
COLORADO	-48.1%	NORTH CAROLINA	-51.0%
CONNECTICUT	-52.9%	NORTH DAKOTA	-65.8%
DELAWARE	-41.1%	NORTHERN MARIANA ISLANDS	375%
DISTRICT OF COLUMBIA	-38.4%	OHIO	-48.7%
FLORIDA	-38.7%	OKLAHOMA	-43.4%
GEORGIA	-48.0%	OREGON	-42.8%
GUAM	-35.1%	PENNSYLVANIA	-54.3%
HAWAII	-49.4%	PUERTO RICO	-40.4%
IDAHO	-40.7%	RHODE ISLAND	-54.8%
ILLINOIS	-50.3%	SOUTH CAROLINA	-50.4%
IOWA	-67.1%	SOUTH DAKOTA	-56.6%
KANSAS	-57.9%	TENNESSEE	-56.5%
KENTUCKY	-60.0%	TEXAS	-47.0%
LOUISIANA	-45.6%	UTAH	-47.5%
MAINE	-64.0%	VERMONT	-56.7%
MARYLAND	-44.5%	VIRGINIA	-56.7%
MASSACHUSETTS	-52.5%	U.S. VIRGIN ISLANDS	-11.1%
MICHIGAN	-54.2%	WASHINGTON	-54.5%
MINNESOTA	-56.4%	WEST VIRGINIA	-65.2%
MISSISSIPPI	-57.6%	WISCONSIN	-56.2%
MISSOURI	-57.6%	WYOMING	-54.7%
MONTANA	-50.0%	TOTAL	-47.3%

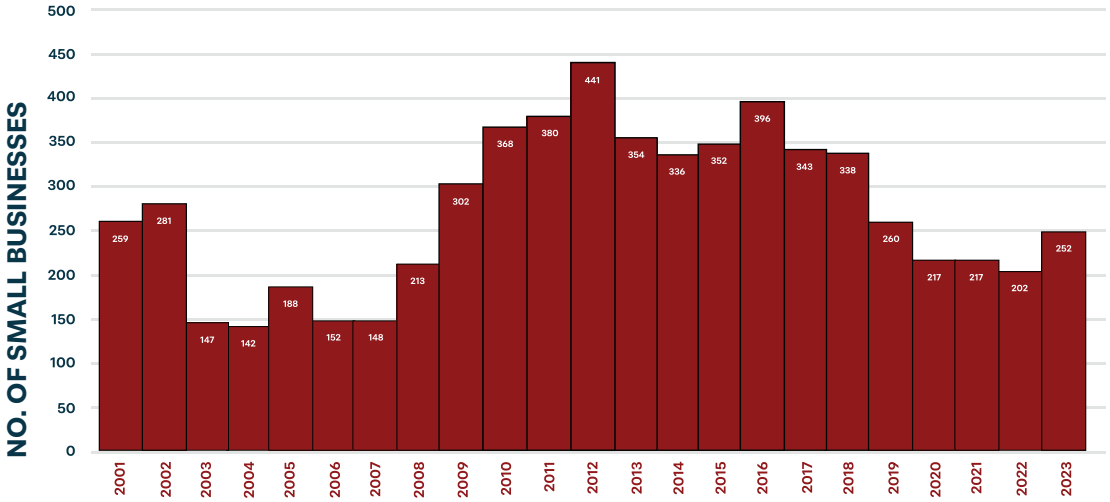
Source: "Vendor Counts" filtered by State in https://datahub.certify.sba.gov/, a Small Business Administration dashboard that sources data from the SAM.gov data bank. Data pulled for years FY 2010-23.

CONCLUSION

America faces a crucial tipping point in its small business procurement activities, one which may have long-term affects across a spectrum of government operations, from civil services to the national defense. Without immediate and bold action, the USG risks further alienating small businesses with dire consequences.

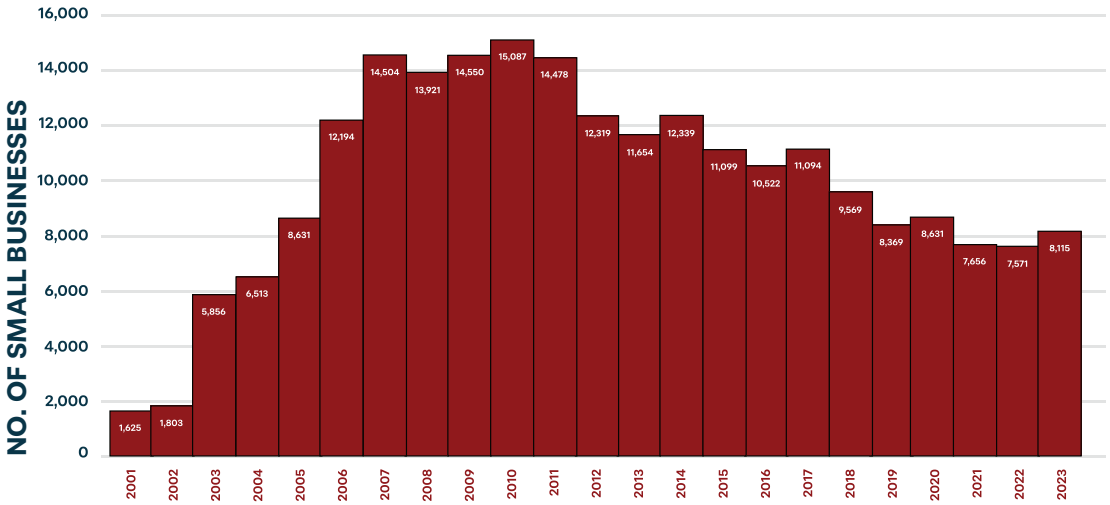
APPENDIX

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)



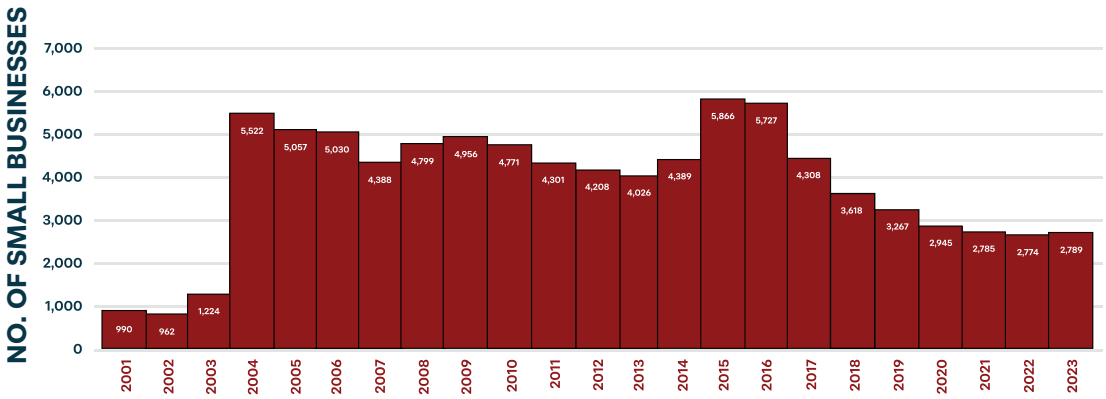
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

DEPARTMENT OF AGRICULTURE (USDA)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

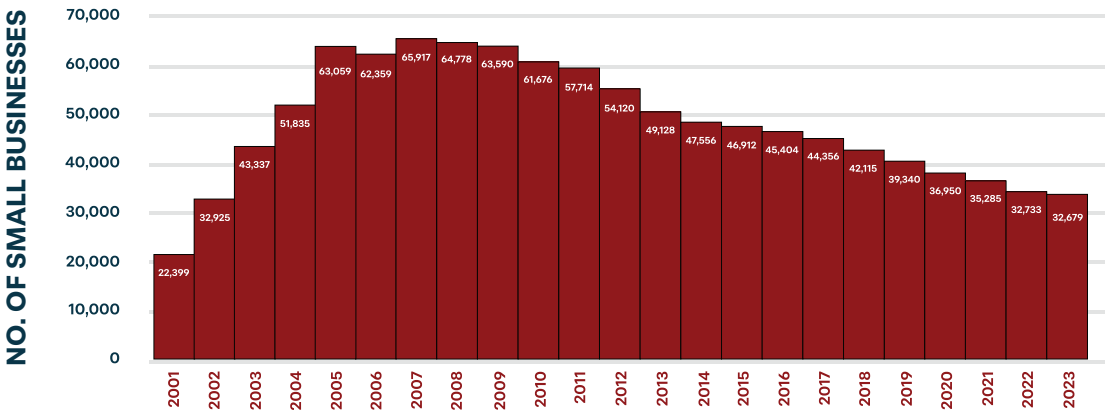
DEPARTMENT OF COMMERCE (DOC)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

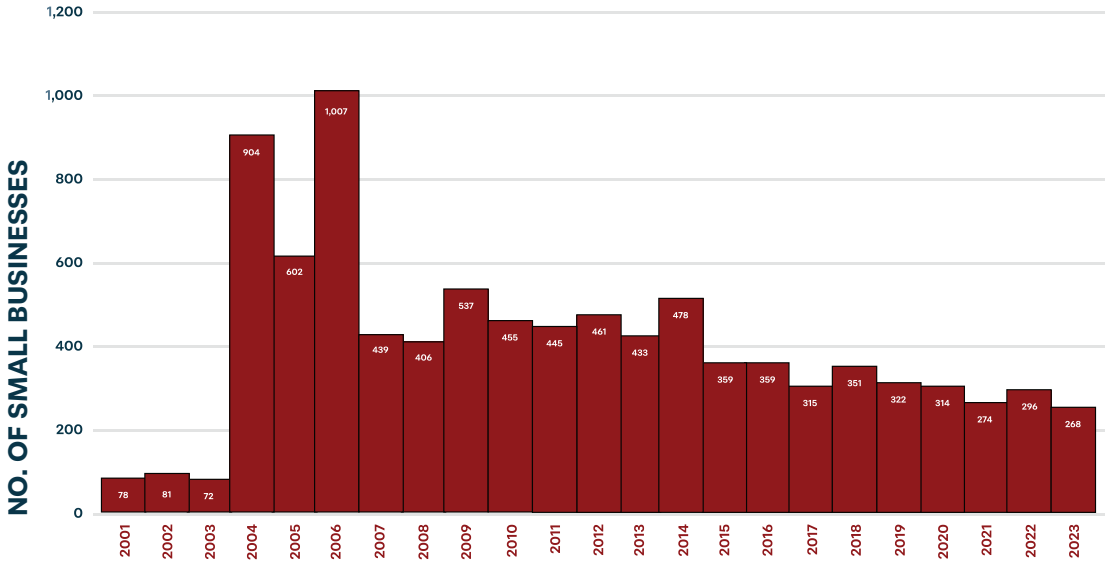
APPENDIX

DEPARTMENT OF DEFENSE (DOD)



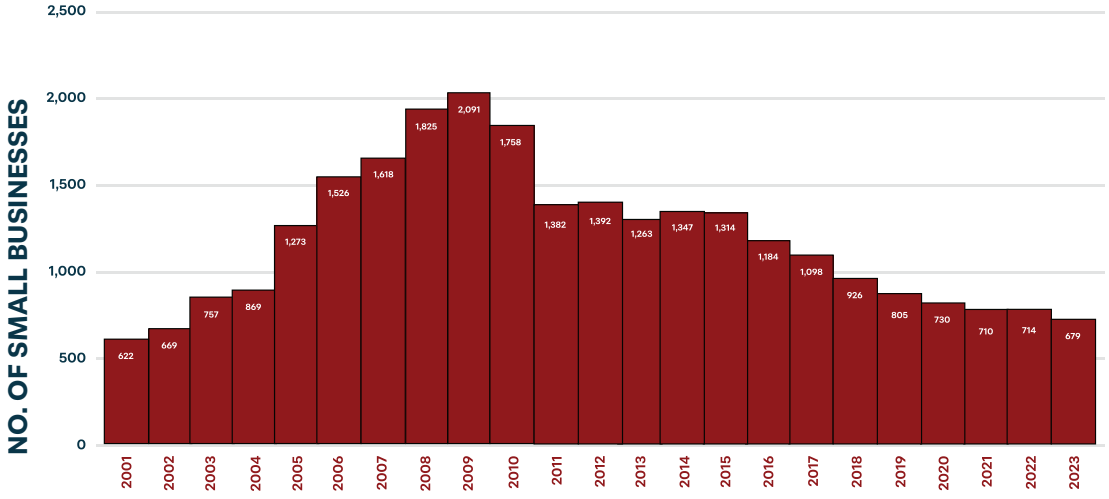
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DEPARTMENT OF EDUCATION (ED)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

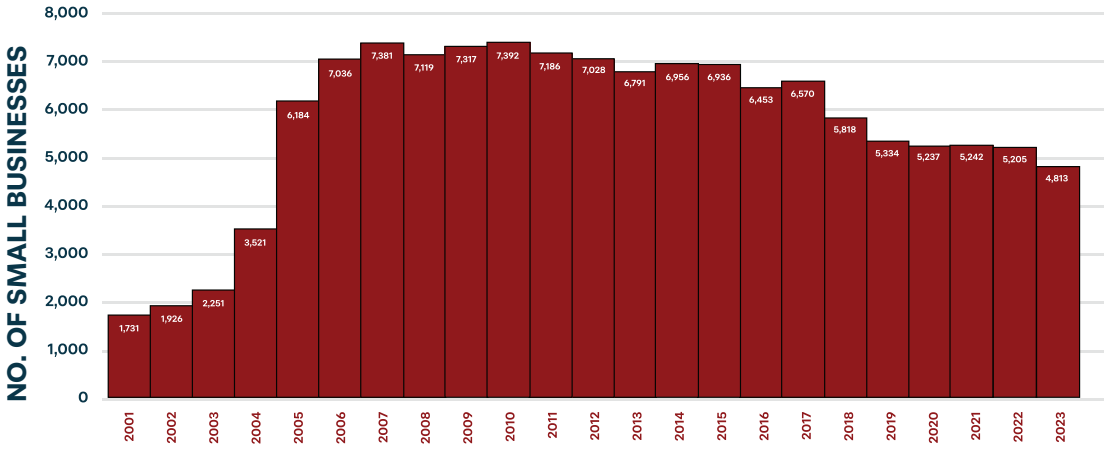
DEPARTMENT OF ENERGY (DOE)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

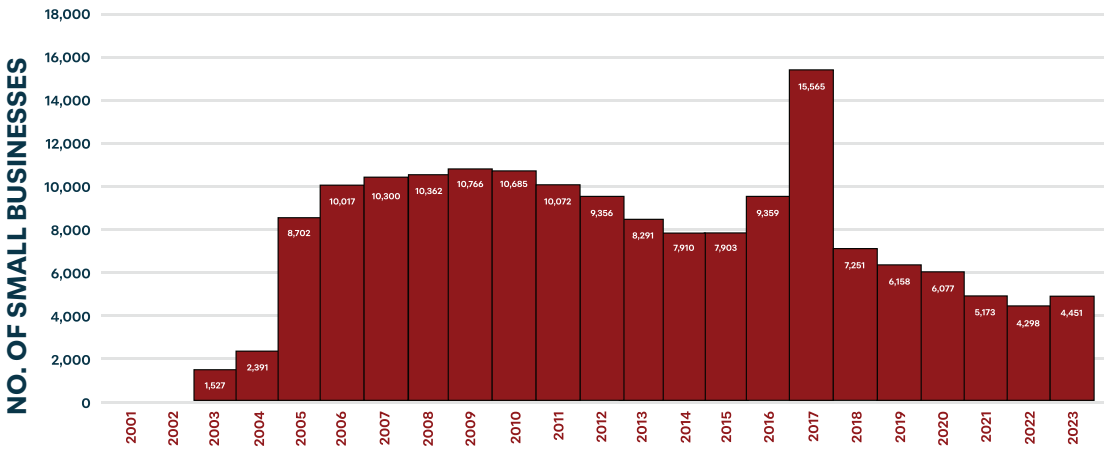
APPENDIX

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)



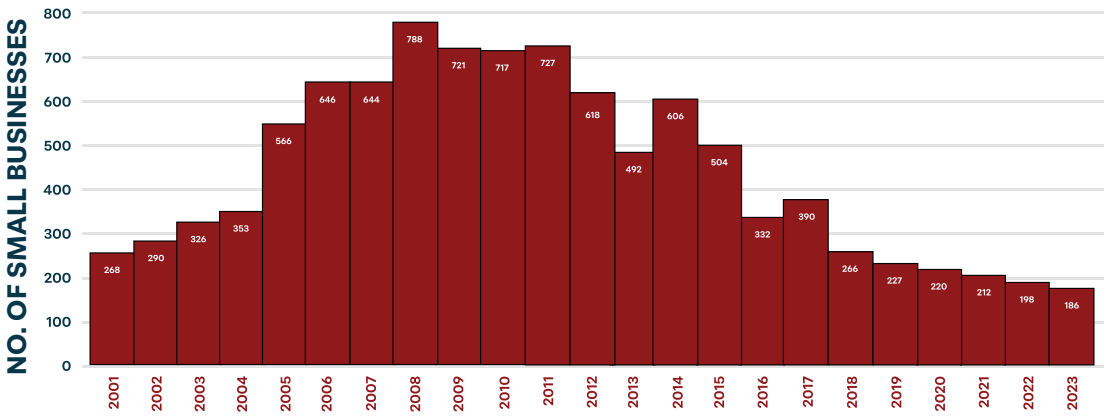
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DEPARTMENT OF HOMELAND SECURITY (DHS)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

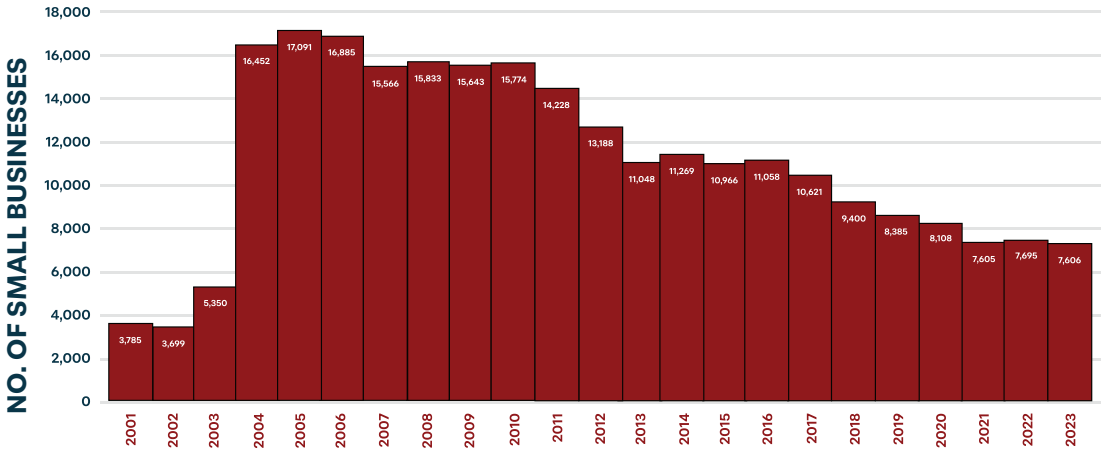
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

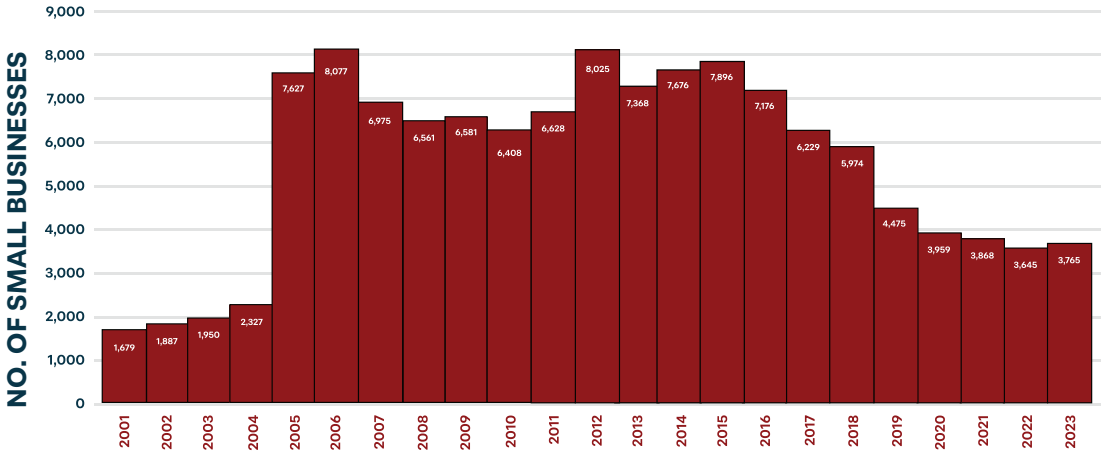
APPENDIX

DEPARTMENT OF THE INTERIOR (DOI)



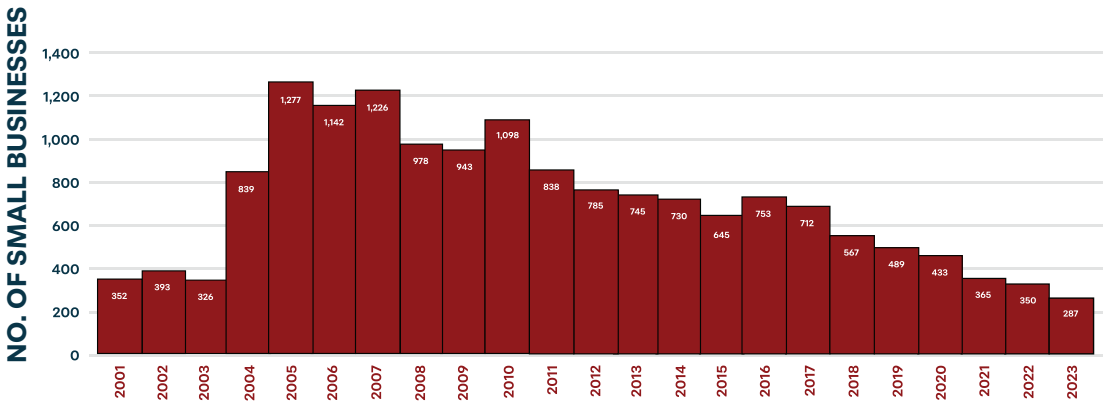
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

DEPARTMENT OF JUSTICE (DOJ)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

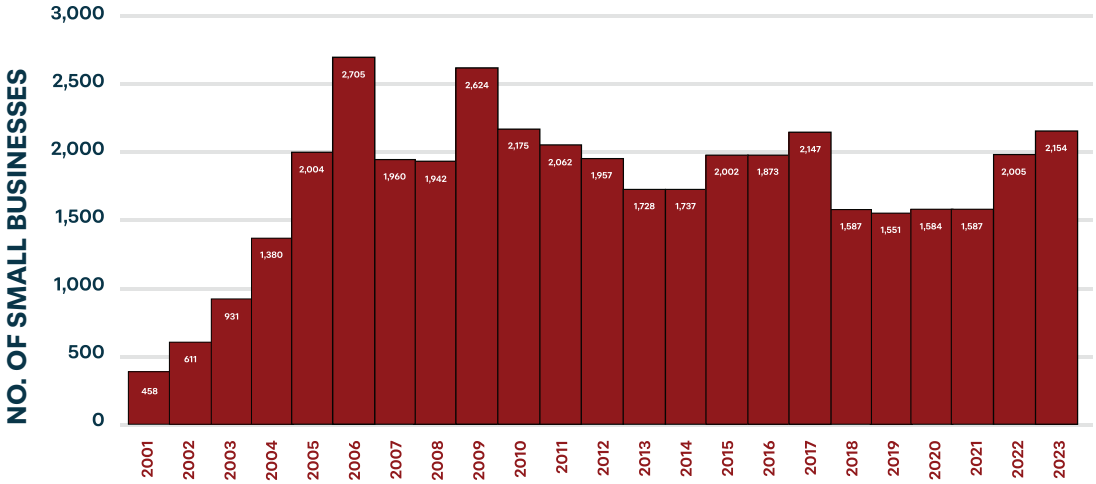
DEPARTMENT OF LABOR (DOL)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

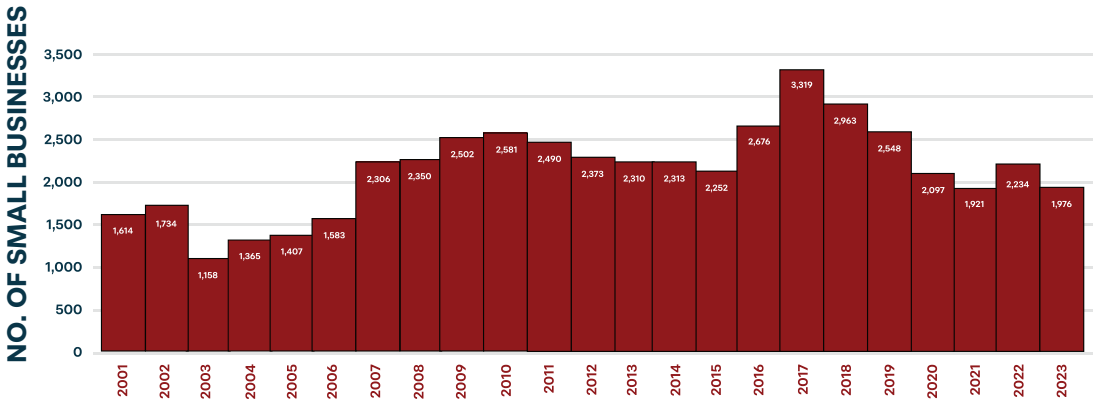
APPENDIX

DEPARTMENT OF STATE (STATE)



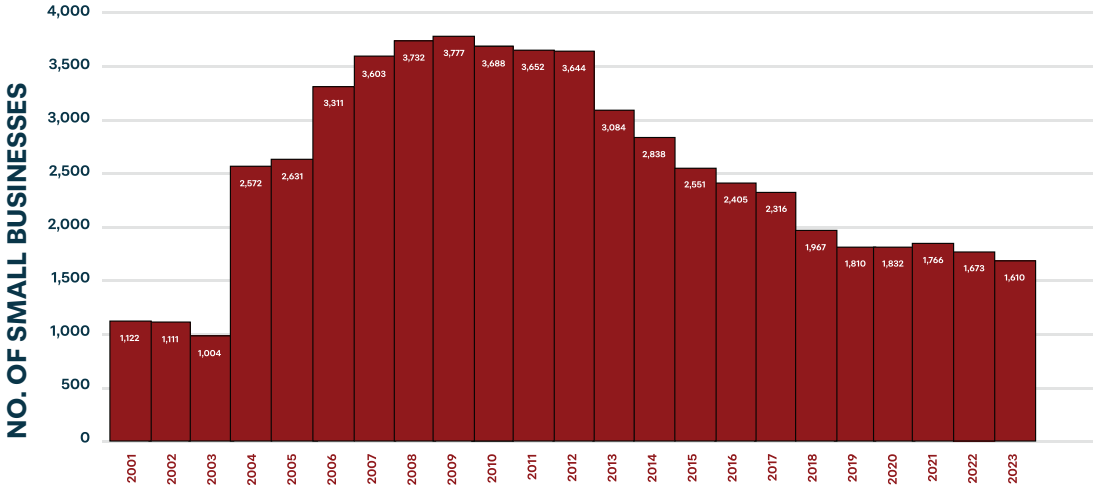
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DEPARTMENT OF TRANSPORTATION (DOT)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

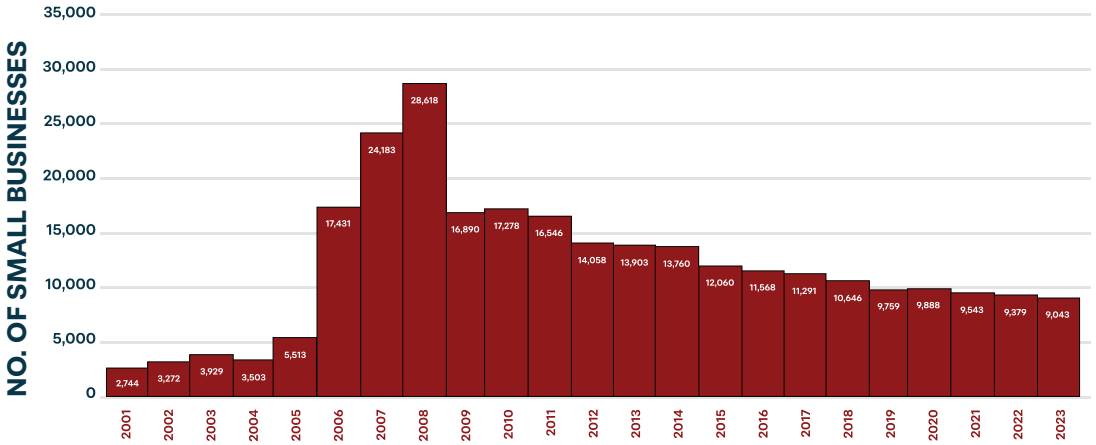
DEPARTMENT OF THE TREASURY (TREASURY)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

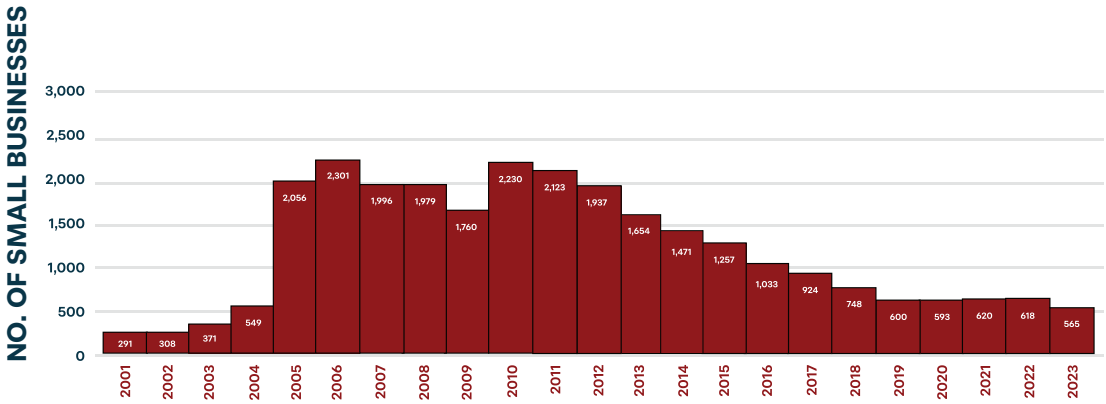
APPENDIX

DEPARTMENT OF VETERANS AFFAIRS (VA)



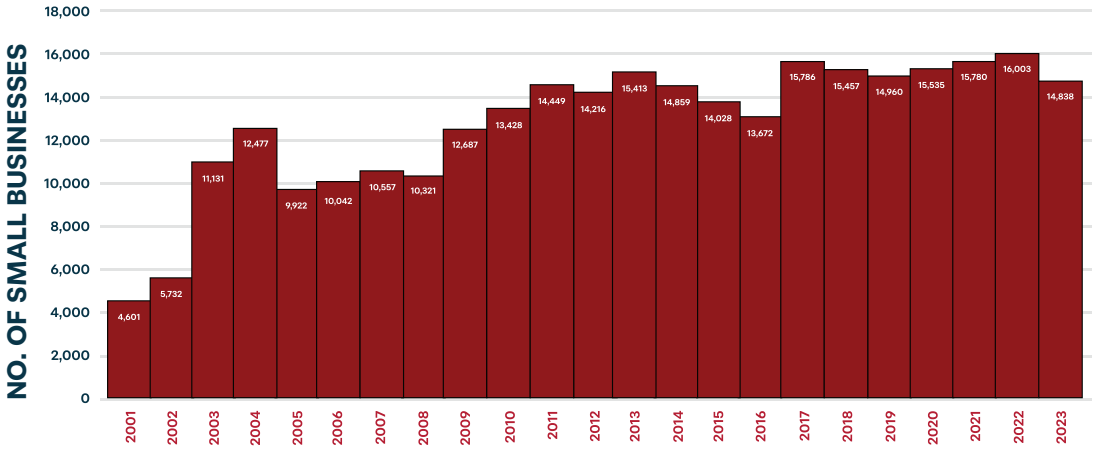
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

ENVIRONMENTAL PROTECTION AGENCY (EPA)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

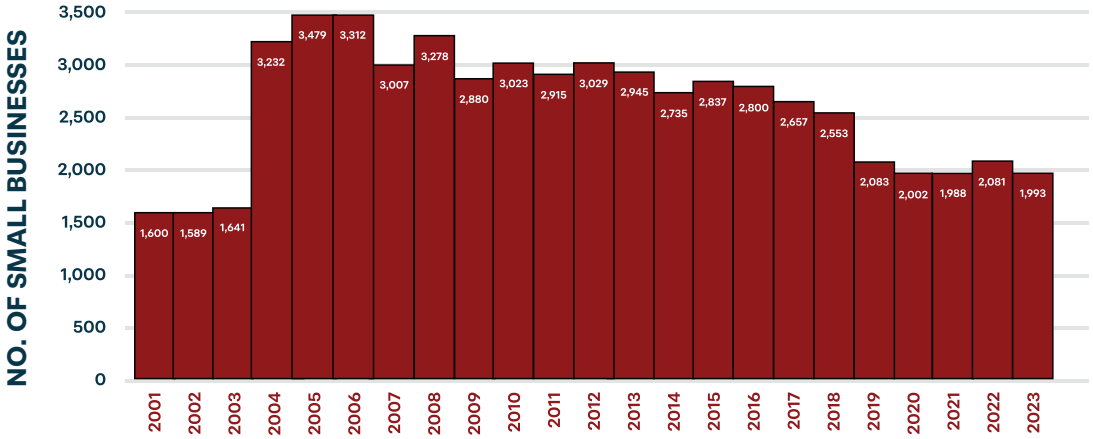
GENERAL SERVICES ADMINISTRATION (GSA)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

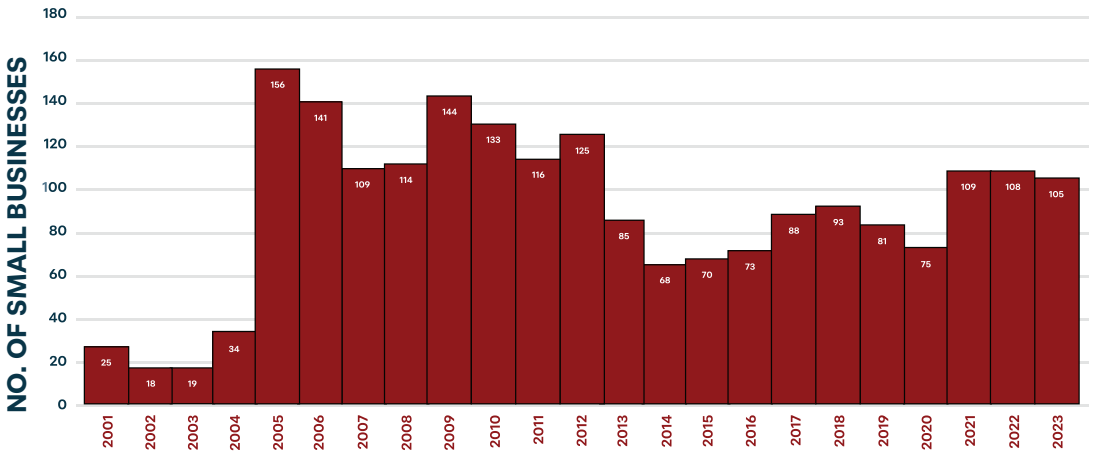
APPENDIX

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)



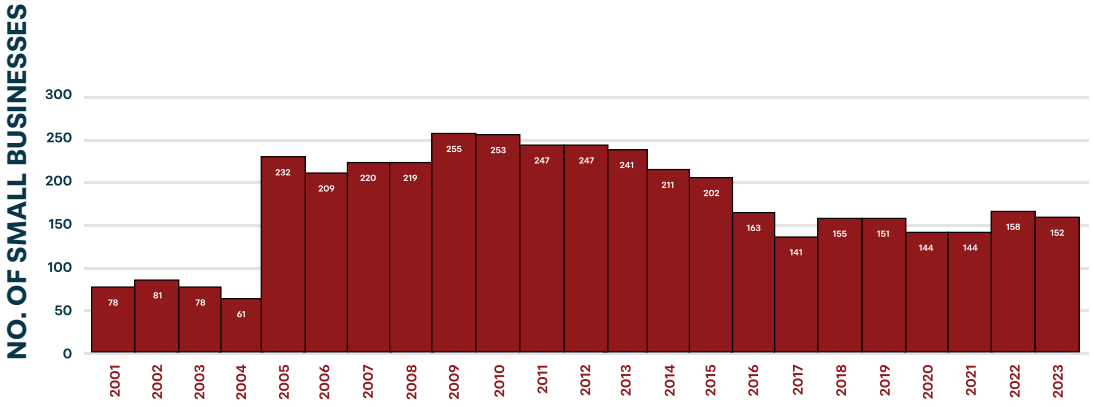
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

NATIONAL SCIENCE FOUNDATION (NSF)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

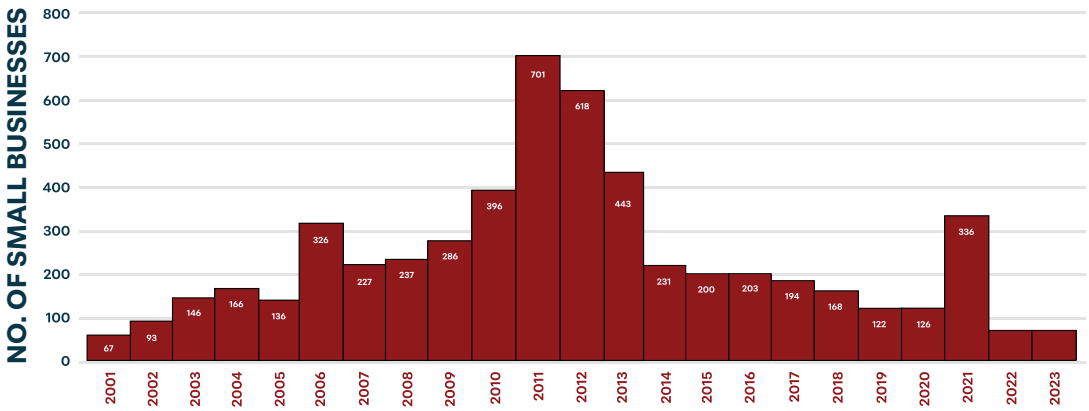
NUCLEAR REGULATORY COMMISSION (NRC)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

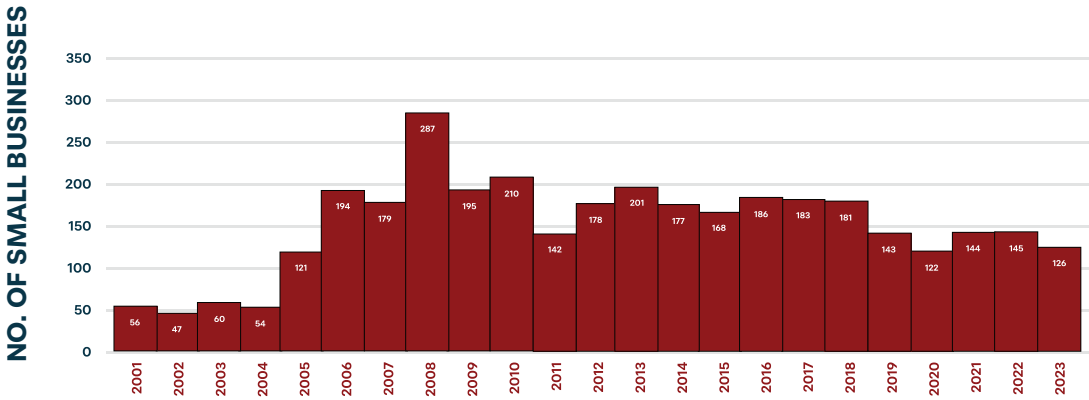
APPENDIX

OFFICE OF PERSONNEL MANAGEMENT (OPM)



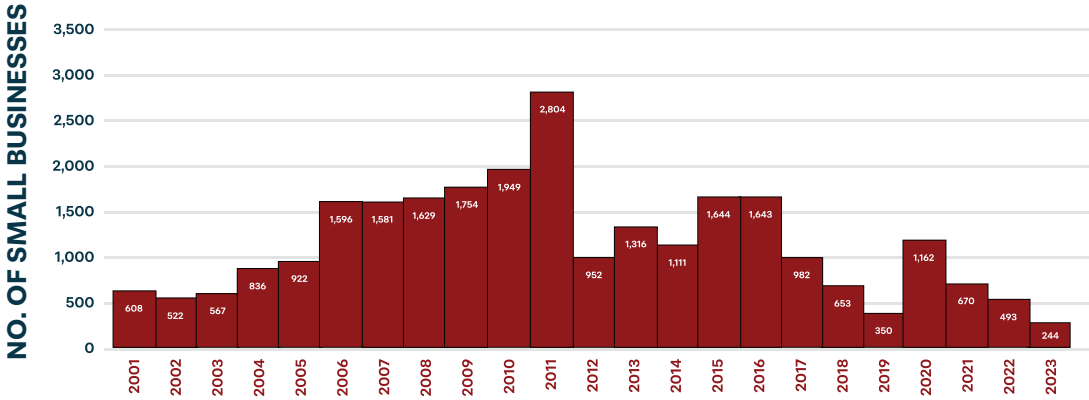
Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

SMALL BUSINESS ADMINISTRATION (SBA)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period

SOCIAL SECURITY ADMINISTRATION (SSA)



Source: "Unique Vendors" report, a Standard Report of the Contract Data Reports available through the SAM.gov data bank, data pulled for the period