



2026 Policy Priorities Promoting Small Business Growth

Conduct a Comprehensive Review of the Mentor-Protégé Program

The Small Business Administration's (SBA) Mentor-Protégé Program (MPP) is designed to help small businesses gain access to technical, managerial, and financial assistance by partnering with more experienced firms. The Coalition urges the Congress and the SBA to conduct a comprehensive review of the Mentor-Protégé Program that includes a focused examination of mentor-protégé joint ventures. In particular, scrutiny is warranted to confirm that mentor-protégé joint ventures do not unintentionally impair small business growth or limit broader contracting opportunities by creating dependency or crowding out competition, and the program continues to promote development and long-term success for small business participants.

Expand the Design Fee Cap to Civilian Agencies

The Fiscal Year (FY) 2024 National Defense Authorization Act (NDAA) raised the statutory design fee limitation from 6% to 10% for Department of Defense (DoD)/Department of War (DoW) contracts for architect and engineering services (e.g., preparation of designs, plans, drawings, and specifications) to better reflect modern project complexity and costs. This flexibility is needed in civilian agencies as well. Small and mid-sized companies are hampered by arbitrary fee caps, limiting their ability to innovate and grow.

Enhance Federal Cooperative Agreements to Reflect FAR Small Business Requirements

Federal grants/cooperatives comply with 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards instead of the Federal Acquisition Regulation (FAR). With respect to small businesses, Section 200.321 requires “when possible,” the recipient of the grant should ensure small businesses are utilized in a number of ways. Uniform Guidance does not create FAR-style small business set-asides, quotas, or sole-source authorities. There is no equivalent to FAR Part 19 in Uniform Guidance. While the Coalition is not seeking to require all grants to include FAR Part 19 requirements, we are asking that cooperatives fulfilling federal contract requirements be subject to the same small business requirements and protections included in the FAR. Without these tools, small businesses are shut out of competing for a substantial amount of federal work.

Resolve Payment Challenges Around Contract Change Orders

For small and midsize contractors, cash flow is the difference between continued performance and business closure. Delays in processing payments, fully executing change orders, and resolving Requests for Equitable Adjustment (REAs) present a persistent and systemic problem in Federal



procurement. While large firms may be able to absorb unreimbursed costs stretched over months or years, most small businesses lack the financial strength to carry these expenses for extended periods of time. We have heard directly from small and midsize contractors who were driven into insolvency while waiting for an REA to be processed, only to later prevail in claims court after their businesses had already closed. The Coalition has strong support for the bipartisan H.R. 4615, the *Small Business Payments for Performance Act of 2025*.

Solidify the Rule of Two into Law

The Rule of Two requires an agency to set aside a contract for small businesses when there is a reasonable expectation that at least two responsible small businesses can perform the work at a fair market price. For over half a century, the Rule of Two has been a cornerstone policy ensuring small businesses have fair access to federal contracting opportunities above the Simplified Acquisition Threshold (SAT). The Coalition supports bipartisan legislation proposed in Congress (H.R. 2804/S. 2656) making the Rule of Two a statutory requirement, eliminating ambiguity and ensuring consistent application across all agencies.

Review the Market-Changing SBA M&A Rule

A final rule from the SBA required small businesses that were sold after January 17, 2026, to recertify their size status within 30 days. This recertification makes them ineligible to bid on new task orders under existing contracts or contract vehicles. The impact is severe – the value of many small businesses lies in holding multi-year contracts. If these contracts cannot be executed after a sale, the company’s equity declines sharply, and buyers lose confidence in acquiring small firms. The rule also creates artificial market distortions. Given the current Administration’s emphasis on curtailing regulations, the SBA should revisit this rule. Restoring the prior approach or at least providing more transition time would protect small business valuations and prevent further contraction of the federal industrial base. Without changes, many owners may see the value of their life’s work diminished, while more firms could exit the federal market entirely.

Right-Size NAICS Code Size Standards for Current Market Conditions

Updating the SBA’s size standards to reflect current market conditions is a critical necessity for maintaining a fair and competitive industrial base. By recalibrating the revenue thresholds using present-day cost data, the government can ensure that the distinction between “small” and “large” is based on genuine business scale, not inflationary distortions. Failure to do so risks artificially shrinking the pool of eligible small businesses – reducing competition, stifling innovation, and ultimately weakening the supply chain for federal construction projects. A timely and realistic adjustment will preserve the integrity of small business programs and support the continued viability of firms that are, by any practical measure, still small.