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“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

¹U.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>.

²U.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

<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.

⁴Protecting Small Business Competitions Act of 2025, H.R. 2804, 119th Cong. (2025) (sponsored by Rep. Nydia 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 billion 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

⁵Small 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).

⁶U.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.

⁷Figures 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.