

**TESTIMONY FOR THE HOUSE SMALL BUSINESS COMMITTEE AND THE HOUSE OVERSIGHT  
AND GOVERNMENT REFORM COMMITTEE**

**“PROPOSED EXECUTIVE ORDER: DISCLOSURE OF POLITICAL SPENDING BY GOVERNMENT  
CONTRACTORS”**

**THURSDAY, MAY 12, 2011**

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Good Afternoon. I am speaking today in my capacity as Vice Chair, National Defense Industrial Association (NDIA) Small Business Legislative Affairs Committee and as the CEO and Co-Founder of Beacon Interactive Systems. NDIA membership is composed of over 90,000 individual members and 1,700 corporate members, over half of which are small businesses. Beacon Interactive Systems is a 17 year-old small business that for the past 9 years has been a federal contractor, actively developing and delivering innovative and cost-saving software products to the Department of Defense. In terms of today's discussion, the contribution that I can make is to describe the potential impact of this proposed Executive Order on small businesses that actively engage in the federal procurement process.

The intent of insuring that campaign contributions do not unduly influence the award of federal contracts is laudable. Unfortunately, the approach taken by this proposed order could have serious negative consequences on business, especially small business. The Order presents five areas of significant concern. First, it politicizes the Federal Procurement Process, which, by all accounts, should be completely independent and transparent. Secondly, it puts company management in the distasteful position of invading the privacy of their senior management by requiring disclosure of their personal political contributions. Thirdly, this proposed Executive Order could have the effect of silencing the voice of small businesses who might, in an effort to mitigate potential contracting risk, no longer be comfortable making the grassroots contributions to advocate for the issues that are important to them. Fourth, small business may decide that operating under the proposed order is not worth the effort of doing business with the federal government. And fifth, this order will increase the reporting burden on small business and contracting officers which, in turn, increases costs and further prolongs an already lengthy procurement process. None of these consequences are acceptable.

Let me expand on some of these challenges. It is imperative that, in the realm of government contracting, small businesses be able to operate on a level playing field. In order for small businesses to compete effectively, proposals must be evaluated in an open and consistent manner with a laser focus on three main factors: technical merit, cost competitiveness and past performance history. The proposed disclosures will now shine a spotlight on a company's political contributions. At the end of a lengthy, rigorous and often convoluted evaluation process, small business owners will be required to provide contracting officers with a detailed record of a company's political expenditures. It is not hard to imagine that this information could, whether intentionally or not, be used to influence the procurement decision—precisely the outcome the proposed Executive Order seeks to prevent. If all other factors are equal, what is to prevent a contracting officer from awarding a contract to the company whose political affiliations are most closely aligned with his or hers? Even if there were no impropriety, a competing vendor who lost a

procurement opportunity might argue, and protest that political affiliations were a contributing factor in the decision-making.

Secondly, the proposed Executive Order requires me, as an example, to report individual contributions made by my company officers. As a small business owner, I do not want to force my employees to disclose their political leanings. How employees allocate their campaign contributions should have no bearing on my hiring, compensation or promotion policies. Employees should be concentrating on how to best execute their job responsibilities—not worrying about whether their political choices are consistent with mine. This is a personal matter that does not need to be thrust into the workplace. In the same manner, personal political choices should not be unnecessarily thrust into the federal acquisition process.

The third area of concern is that this proposed Executive Order could have a chilling effect on the political activities of small businesses and their management. It is difficult enough for small businesses to compete effectively and navigate the often complex waters of federal contracting. Politicizing the process will add one more possible obstacle to small business participation. From my personal experience as a small business owner, I can tell you that I do not have the resources or inclination to manage this unquantifiable risk. If my political contributions can negatively affect my ability to win federal contracts, I will not make them. As you know, small business advocacy is funded at the grass-roots level. If small businesses fear that their operations will be harmed by their political choices, they may remove themselves from the public discourse and halt future donations. This effectively limits free speech and may leave the small business constituency without adequate representation. Alternatively, some small businesses might feel coerced into supporting the party in power in order to bolster their chances of winning contracts. Either way, the political process is compromised.

And, finally, there is likelihood that the proposed Executive Order could discourage small businesses from pursuing federal contracts. The intrusive disclosures of personal political contributions combined with the additional reporting requirements would add unproductive time and cost to the government procurement process. If this pushed small businesses to adopt a “why bother” stance, our nation—and particularly our men and women in uniform—would be deprived of the innovations, agility and cost efficiencies that small business brings to the table.

Mr. Chairman, on behalf of the National Defense Industrial Association, I would like to thank you and the Committee for your leadership on this important issue. We appreciate your efforts to keep the federal procurement process fair and independent as this is a critical component of successful small business participation.

I would be pleased to respond to any of your questions. Thank you.