



# EMPLOYEE-OWNED CONTRACTORS ROUNDTABLE

## Pilot Program Overview

### Who We Are:

The Employee-Owned Contractor Roundtable (ECR) is a coalition of federal government contractors that are organized as private subchapter S corporations wholly-owned through an employee stock ownership plan (ESOP). ECR member companies provide products and services for the U.S. Government ranging from manufacturing engines and timing belts to developing some of the most advanced combat simulators and sonar detection technologies. ECR member companies can be found in the majority of states across the country and play critical roles in several sectors of the American economy.

ECR is committed to policy solutions that sustain small businesses and help them to grow to mid-tier status. We are focused on creating and building retirement wealth for all employee-owners and helping small businesses thrive while working to modernize federal contracting policies to support all small businesses, not just ESOP small businesses.

### Issue Background:

The Department of Defense (DOD) has noted on several occasions that industry consolidation has led to significant delays in the contracting process, creating real vulnerabilities in DOD's ability to procure needed equipment and technologies. To remedy this issue, a bipartisan and bicameral Congressional effort was undertaken to include in the FY22 National Defense Authorization Act a provision which would establish a five-year DOD pilot program to allow contracting officers the ability to sole-source the follow-on contracts of similar substance to 100% ESOPs. To qualify, ESOPs must possess the initial contract and completed the project at a "satisfactory" or above rating. These innovative first steps provide Contracting Officers with greater flexibility in how to procure services from the contracting sector. Additionally, this program allows DOD more time to work with 100% ESOP contractors that have time-tested track records of fulfilling DOD's needs.

### Program Particulars:

- ✓ **Eligibility:** Ensures that only 100% employee-owned companies are eligible to participate in the pilot
  - To ensure compliance, ESOPs will provide key filing data to certify their status
- ✓ **Sole-Source Authority:** 100% ESOPs will be granted sole-source authority for follow-on contracts for work previously completed at a "satisfactory" or above level
- ✓ **Sunset:** The language includes safeguards allowing the pilot to expire after five years should it not meet expectations
- ✓ **Data Collection:** Ensures the government collects relevant data and reports to DOD on efficacy and usage

Should you have any questions or would like any additional information, please do not hesitate to contact our DC representatives **Matt Pearce** ([mpearce@vennstrategies.com](mailto:mpearce@vennstrategies.com)) or **Matt Scott** ([mScott@vennstrategies.com](mailto:mScott@vennstrategies.com)).