

September 6, 2022

Open Letter to FY23 NDAA Conferees: Protect “Progress Payments Incentive Pilot”

As you prepare to conference the Fiscal Year 2023 National Defense Authorization Act (NDAA), we, the undersigned organizations, strongly urge members of the Senate Committee on Armed Services and the House Armed Services Committee to accede to the Senate committee-passed [draft](#) authorizing the “Progress Payments Incentive Pilot.” This program, which received bipartisan support in committee, provides a unique opportunity for the Department of Defense (DOD) and its many contractors to test a new payment rubric that could protect taxpayers and enhance accountability.

In February, the Government Accountability Office (GAO) issued [a report](#) examining the effect of increased progress payments made to DOD contractors during the COVID-19 pandemic crisis. These payments were intended to help sustain the defense industrial base, particularly smaller suppliers who are more vulnerable than their larger partners—the prime contractors—to economic upheaval. The report found current data collection and responsiveness insufficient to provide a clear picture of how additional funds were used and how that funding was dispersed to suppliers.

This is not a new problem. For decades, the GAO has indicated ongoing issues with contract financing, such as inaccurate or missing information leading to [overpayments](#), persistent production [delays](#) and [lagging](#) payments to subcontractors. In 2018, the Trump administration recommended [smart reforms](#) to progress payments that would address these all-too-common issues. Their proposed rule would have incentivized contractors with progress payments of up to 95 percent if they complied with new reporting requirements, met program schedules and small business subcontracting goals—including contract opportunities for the blind and severely disabled. In addition, major corrective actions requests that were avoided or resolved in a timely manner would be rewarded with larger progress payments.

The Progress Payments Incentive Pilot would move this plan forward. It would help avoid costly delays and improve oversight of the sprawling defense industry. Further, initiating these changes in the form of a pilot program is good policy. This will provide all parties the chance to “test-drive” the reforms and gain insight into building a long-term, more sustainable contract-financing regime that provides maximum benefit to essential DOD contractors of all sizes and taxpayers.

Again, we strongly urge you to maintain the Senate Committee-passed “Progress Payments Incentive Pilot” in the FY23 NDAA.

Sincerely,

R Street Institute
Council for Citizens Against Government Waste
FreedomWorks
National Taxpayers Union
Taxpayers for Common Sense
Taxpayers Protection Alliance