

**Testimony of
U.S. Small Business Administration**

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Government Contracting and Business Development**

**Before the
Subcommittee on Economic Opportunity
Committee on Veterans Affairs
U.S. House of Representatives**

April 23, 2009

Chairwoman Sandlin and other distinguished Members of this Subcommittee, thank you for inviting me to testify about federal procurement and veteran and service disabled veteran owned small businesses.

I am Joseph Jordan, Associate Administrator for the Office of Government Contracting and Business Development. I appreciate the opportunity to discuss with you SBA's efforts to ensure that small businesses receive a fair opportunity to participate in the Federal procurement arena, including veteran and service disabled veteran owned small businesses whose owners have given so much to their country.

Section 2 (a) of the Small Business Act states that the ".....Security and well-being of our Nation cannot be realized unless the actual and potential capacity of small business is encouraged and developed." Included in SBA's mission is the mandate to increase Federal prime and subcontracting opportunities for small businesses in general, as well as specifically women-owned small businesses, service-disabled veteran-owned small businesses, small businesses owned by socially and economically disadvantaged individuals, and small businesses located in Historically Underutilized Business Zones (HUBZone).

Through SBA's various government prime contracting and subcontracting programs, the SBA provides policy direction and guidance to Federal procuring agencies and works with them to develop acquisition strategies that will help to increase opportunities for small businesses in Federal procurement. The SBA facilitates this working relationship with the Federal procuring agencies by serving as an active member of the Chief Acquisition Officers Council and chairing the Small Business Working Group. The SBA also chairs the Committee of the Directors of Small and Disadvantage Programs.

During the period of Fiscal Year (FY) 2000 through FY 2007, total Federal procurement increased from approximately \$200 billion to more than \$378 billion. The small business share almost doubled, increasing from \$44.7 billion to \$83.3 billion.

For that same period, contract awards to small disadvantaged business increased from \$7.3 billion to \$24.9 billion, women-owned small business from \$4.6 billion to \$12.9 billion, HUBZone certified business from \$663 million to \$8.5 billion, and service-disabled veteran-owned small business from \$554 million (FY 2001) to \$3.8 billion.

Although these are significant increases in contract awards for small business, Federal procuring agencies have met only one goal consistently over the same period. Clearly, more work is still needed. SBA recognizes the need to improve small business government procurement programs, both within the Agency and externally by working with Federal procuring agencies.

Chairwoman Sandlin, you asked specifically that I discuss strategies the SBA is using to assist veterans and service-disabled veteran-owned small businesses to obtain government contracts.

The SBA, through its government contracting function, is responsible for assisting small businesses in obtaining a fair share of government procurement through a variety of programs and services. A key tool in this effort is SBA's statutory mandate to establish small business procurement goals with each agency prior to the beginning of the fiscal year in line with meeting the government-wide goals. The goals for prime contracting include 23 percent for small business, 5 percent for small disadvantaged business, 5 percent for women-owned small business, 3 percent for service-disabled veteran-owned small business, and 3 percent for HUBZone certified small business. SBA is also required to report on agency's achievements in meeting their goals and plans to achieve goals not met. SBA has established a Small Business Procurement Scorecard to this end and it is publicly available on SBA's website. Although there is no government-wide goal for veteran owned small businesses, Federal agencies in Fiscal Year 2007 awarded more than \$10.8 billion in contracts, or 2.9 percent, to veteran owned small businesses.

As you are aware, Public Law 106-50, enacted in 1999, established a 3 percent service-disabled veteran-owned small business goal for Federal prime contracting and subcontracting respectively. Public Law 108-183 established a procurement program for service-disabled veteran-owned small businesses, which allowed for:

- Competitive set-asides where two or more service-disabled veteran-owned small businesses can meet the requirements of the procurement.
- Sole source awards where only one service-disabled veteran-owned small business can meet the requirements of the procurement.

Our field staff, which is another key tool in our delivery of small business procurement assistance, is organized into six Area Offices located at: Area One – Boston, Area Two – Philadelphia, Area Three – Atlanta, Area Four – Chicago, Area Five – Dallas, and Area Six – San Francisco. These offices are responsible for overseeing and directing the activities of our Procurement Center Representatives, Commercial Marketing Representatives, Small Business Size Specialists, Industrial Specialists and Natural Resources Sales Specialists.

Procurement Center Representatives (PCR) are stationed at major Federal procuring activities and are responsible for increasing small business opportunities in the Federal procuring process. It is important to note that PCRs review all proposed major unrestricted procurements and bundled requirements, and recommend procurement strategies that will maximize opportunity for small business to participate as prime contractors. PCRs also review contract bundling requirements to determine if they are necessary and justified. The SBA encourages small business to team together and to establish strategic alliances and joint venture, to better position themselves for increased procurement opportunities.

Commercial Marketing Representatives ensure that small businesses receive a fair share of subcontracting opportunities from the Federal Government's large prime contractors. When awarded a contract valued at \$550,000 or higher, these large prime contractors are required to establish a subcontract plan for small business participation. The SBA, along with the procuring agency, evaluates the large prime contractor's effort against their subcontracting plan.

Small Business Size Specialists determine individual firms' small business size status when such firms' size is questioned vis-à-vis a specific procurement. The size status reviews are the result of protest filed by another small business, the contracting office, or other interested party.

Industrial Specialists assist small businesses by issuing certificates of competency, if appropriate, for small businesses that are the apparent successful low-bidder on government procurement, but whose ability to perform is questioned by the contracting officer.

Natural Resources Sales Specialists ensure that small businesses obtain a fair share of Federal real and personal property authorized for sale or other competitive disposal actions. The program includes: sale of timber and related forest products; royalty oil sales, mineral, coal, oil and gas leasing; strategic and critical stockpile materials disposal; and real and personal property sales.

In response to your specific request regarding use of liquidated damages: The Small Business Act and the implementing regulations (FAR 19.705) allow the contracting officer to impose liquidated damages on a prime contractor that fails to comply with its subcontracting plan, but only if the contracting officer, after considering the totality of the circumstances, determines that the prime contractor did not make a good faith effort to comply with the subcontracting plan. The contracting officer's decision to impose liquidated damages is subject to appeal under the Contract Disputes Act. Thus, the process can be time-consuming and costly for the government, and turns on a very subjective standard, i.e., whether the prime contractor made a good faith effort to comply with the plan. There are other incentives available to encourage prime contractors to comply with subcontracting plans, such as considering compliance as part of an evaluation of past performance (FAR 15.304) or monetary awards (FAR 52.219-10).

I would also like to inform you of some of the actions SBA has undertaken to help small businesses obtain contracts resulting from the Recovery Act. I would like to report that the SBA has appointed a Stimulus Bill Coordinator to ensure that all of the Agency's programs (lending, procurement, and business development) are moving aggressively to assist small businesses. As it relates to contracting, we have begun a campaign to reach out to small businesses informing them of procurement opportunities available at the Federal level and advising them how to get involved in the state and local government procurement actions that are likely to result from the Recovery Act. We are also posting and updating procurement information on our web site to make it easier for small businesses to locate agencies procuring products and services to support the stimulus efforts. In addition, we are working with the Office of Federal Procurement Policy and General Services Administration in their role as project manager for the Federal Procurement Data System-Next Generation to ensure timely and accurate reporting of small business participation, including service-disabled veteran-owned small businesses.

Chairwoman Sandlin and other distinguished Members of this Subcommittee; thank you again for the opportunity to testify before you regarding our work to promote government contracting programs for America's small business, and I am happy to answer any questions you may have.