



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, DC 20416

November 8, 2012

The Honorable Doc Hastings  
U.S. States House of Representatives  
Washington, DC 20515

Dear Representative Hastings:

Administrator Mills has asked me to respond to your recent letter expressing your concerns regarding the U.S. Department of Energy's (DOE's) small business contracting and subcontracting goals related to DOE's Hanford site in your district.

As you are aware, Congress has established statutory goals for direct awards to small firms to ensure that small businesses have the maximum, practicable opportunity to compete for Federal contracts. If the Federal Government is to meet these goals, each agency must contribute a proportionate share of its contract awards to those efforts. Although DOE has the second largest Federal contracting budget, second only to the U.S. Department of Defense, it currently has the lowest percentage of small business awards among the 24 largest agencies. Without an increased contribution from DOE, it is impossible for the Federal Government to meet the mandates established by Congress. The Small Business Jobs Act (SBJA) of 2010 further enhanced the standing of small businesses by expanding prime contracting opportunities for these entrepreneurs.

DOE's current missions have led to the extensive use of large, private contracts that are managed by major prime contractors. These contractors manage and operate government-owned laboratories and facilities, and many are referred to as "Management and Operating" (M&O) contract/contractors, also referred to as site and facility management contractors (FMCs). Through the FMC contracting model, DOE directs the mission-related areas and the overall performance objectives that it wants to accomplish. These FMCs, which primarily are managed by large businesses and major educational institutions, expend between 80-85% of DOE's contracting budget. During FY 2011, DOE spent approximately 82% of its contracting dollars with these FMCs, while retaining only 18% for direct contracting to small and large businesses, non-profit organizations, and for other required purchases.

SBA negotiated the FY 2012-2013 DOE agency prime contracting goal at 10% and agency subcontracting goal at 52%. Based on the U.S. Small Business Administration's (SBA) ongoing conversations with DOE officials, we are

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proposing a reduced prime contracting goal for DOE and are still in the negotiation stages with them. DOE has indicated that it is unable to provide FMC contracts to small businesses, as many of these contracts have been extended in their term and cannot be awarded to small businesses.

The SBA negotiates prime and subcontracting goals only at the agency level, not at the contracting activity level. The agency itself determines how best to allocate its prime and subcontracting small business goals to its various entities.

Therefore, we are unable to comment on the goals that DOE has established for its Hanford site.

Under current public law, if an agency makes an award to a prime contractor that is a small business, that award counts towards the agency's small business prime contracting goals. However, if an agency makes an award to a prime contractor that is a large business, and that prime contractor subcontracts to a small business, that subcontracting award does not count towards the agency's small business goals. The award is between the prime contractor and the subcontractor, and the award counts towards the prime contractor's small business subcontracting goals.

The SBA is committed to working with small businesses, other Federal agencies and large prime contractors to ensure that the Government can meet the goals established by the President and the Congress.

We appreciate your support of the SBA and the Washington small business community. If you and your staff have any questions, please contact the SBA Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

Kenneth W. Dodds  
Director  
Office of Government Contracting