

Congress of the United States

U.S. House of Representatives

Committee on Small Business

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Testimony of Chairman Sam Graves,
Committee on Small Business
Before the House Committee on Armed Services
National Defense Priorities from Members for the FY 2013 National Defense
Authorization Act
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Thank you, Chairman McKeon, Ranking Member Smith, and members of the Committee.

Given that federal government spends over half a trillion dollars each year through contracts, the federal procurement market is incredibly important for small businesses. Improving small business opportunities for federal contracts is a triple play – small businesses win more contracts; workers win as the small businesses create jobs; and taxpayers win because small business bring competition, innovation and lower prices to save the government money and improve the health of the industrial base.

Recognizing that this is a crucial area for small businesses, over the past year the Small Business Committee has held ten hearings or subcommittee hearings on federal procurement issues. These have resulted in 8 bills introduced by the majority, each of which has been voted out of Committee with bipartisan support. This package of reforms has been supported by over twenty trade associations, including the National Defense Industrial Association, the Associated General Contractors, the Chamber of Commerce, the Financial Services Roundtable, the Minority Business Roundtable, the U.S. Black Chamber, Women Impacting Public Policy, and many others.

At the same time that the Small Business Committee was holding its hearings and developing legislation, the House Armed Services Committee's Panel on Business Challenges in

the Defense Industry was holding hearings and roundtables addressing many of the same issues. I was pleased to be part of one of these roundtables with Mr. West and Mr. Shuster. The Panel's final report, issued last month, and the legislation marked up by the Small Business Committee complement each other nicely and reflect common understanding of issues facing small business participation in the industrial base.

Therefore, I am here today to support the inclusion of the eight small business contracting bills in this year's National Defense Authorization Act. Each of them ties directly to at least one of the Panel recommendations, and I will discuss each of them very briefly.

First, H.R. 3850, the Government Efficiency Through Small Business Contracting Act of 2012, is a bill I introduced with Congressman Owens and Congressman Schilling to increase contracting opportunities for small businesses. The bill does this by increasing the small business prime contracting goal from 23% to 25%, instituting a governmentwide subcontracting goal, and holding agencies accountable. This bill is directly linked with Panel Recommendation 2.1, which states that Congress should consider increasing the DOD's small business prime contract and subcontract procurement goals, and increase accountability in the achievement of the procurement goals, and with Recommendation 2.7, which addressed having senior executives take responsibility for meeting these goals.

Recommendation 2.1 also stated that Congress should amend the job descriptions for small business advocates – Procurement Center Representatives and Offices of Small and Disadvantaged Business Utilization. H.R. 3851, the Small Business Advocate Act of 2012, does this for the Offices of Small and Disadvantaged Business Utilization, making sure these advocates have the clout to be effective advocates for small business concerns, and that they focus their resources in a way that helps small businesses compete for contracts. H.R. 3980, the Small Business Opportunity Act of 2012, does the same for Procurement Center Representatives. H.R. 3980 also addresses Panel Recommendation 3.9, which advocates for better training of contracting officers on the small business programs, and the Panel Recommendation 3.7 on improving small business consideration in acquisition planning.

H.R. 3893, the Subcontracting Transparency and Reliability Act addresses several of the Panel Recommendations. First, it Recommendation 2.9 says that Congress should ensure that

work being reserved for small business performance is actually performed by small businesses. The problem is that some bad actors hide behind small businesses and have work passed through to them. H.R. 3893 addresses this problem by increasing transparency into who performs small business contracts, while simultaneously reducing small business paperwork and encouraging small business teaming.

This bill also addresses Recommendation 2.6, which deals with tracking small businesses working as subcontractors. Currently, any contract over \$650,000 awarded to a large business must have a subcontracting plan detailing how small businesses will be used. H.R. 3893 improves reporting on these plans to make the data more meaningful, and does so without adding new paperwork requirements.

H.R. 3985, the Building Better Business Partnerships Act of 2012, introduced by Mr. Schilling and Ms. Chu, doesn't directly relate to the Panel's recommendations, but it is in keeping with the spirit of the recommendations. Throughout the Panel Report, the Department of Defense's Mentor-Protégé program receives credit for assisting small businesses. Mr. Schilling's bill attempts to do the same for small businesses operating in the civilian agencies by improving the other mentor-protégé programs the government offers to small businesses.

Panel Recommendation 2.2 was that Congress end the practice of combined size standards, keep SBA from placing artificial limits on the number of size standards, and better define what factors should be considered when size standards are proposed. H.R. 3987, the Small Business Protection Act of 2012, introduced by Mr. Walsh and Mr. Connolly, does exactly that. As I understand that both Mr. Walsh and Mr. Connolly are appearing before you today, I won't discuss this bill any further, except to say that I support its inclusion.

Panel Recommendation 2.10 addresses one of the most important issues for small business – unjustified contract bundling. The Panel recommended that bundling processes be clarified and improved to better identify work likely to be suitable for small businesses, capture construction contracting, and improve transparency. H.R. 4081, the Contractor Opportunity Protection Act of 2012, which I introduced with Mr. West, does exactly these three things – it streamlines the current processes, better defines justified bundling, and increases transparency into bundling decisions. I want to emphasize that I think this is one of the most important areas

where we can work if we want to help small businesses compete and save taxpayers money. I urge you to include it in the NDAA.

Finally, while all of these efforts are important, if we allow fraud to go unchecked in the small business contracting programs, we will not reap the expected benefits. Therefore, I also encourage you to include H.R. 4206, the Contracting Oversight for Small Business Jobs Act of 2012, introduced by Mr. Coffman. When fraud occurs in the small business programs, legitimate small businesses lose opportunities, we all lose out on the job-creating potential those small businesses bring, and we are entrusting important work to fraudulent companies. This bill will make it easier for legitimate small businesses to comply with the rules, provide a safe harbor to those making a good faith effort to comply, and punish bad actors.

Each of the bills I've just discussed received bipartisan support in Committee. Each supports the intentions, if not specific recommendations, of the Panel Report produced by this Committee. I am pleased that our two Committees are working so cooperatively, and hope that this language will be incorporated into this year's National Defense Authorization Act.

Thank you. I'd be happy to answer any questions.