



**Statement of Sylvia Medina on Behalf of
Women Impacting Public Policy**

**Before the
U.S. Senate Committee on
Small Business and Entrepreneurship**

**"The Role of Small Business in Recovery Act
Contracting "**

May 21, 2009

Good morning. Chair Landrieu, Senator Snowe and Members of the Committee, my name is Sylvia Medina. Thank you for holding this hearing and thank you for inviting me to testify. I am appearing today on behalf of Women Impacting Public Policy (WIPP) and am honored to speak on behalf of its membership representing over half a million women business owners nationwide. I serve on WIPP's Board of Directors, in addition to being the President of North Wind, Inc. based in Idaho Falls, Idaho. Our company provides environmental management, engineering, construction, scientific, and information technology consulting services throughout the United States. The majority of our business is with the Federal government.

This hearing is important to me as a business owner because it examines the current and future opportunities for small businesses relative to the stimulus money. It is unthinkable that the government would spend \$787 billion in procuring goods and services without awarding a large portion of it to the segment of the economy that is crucial to its recovery—small business.

I want to commend this Committee and the new Administration, which has made a concerted effort to educate us on agency plans and involve us in discussions surrounding the Recovery Act. WIPP has dedicated much of its resources in the last quarter to educating its membership and the small business community on the stimulus bill and how to follow the funding.

Contrary to media reports that there is “nothing in the stimulus bill for small business”, WIPP believes the opportunities for small businesses to participate in the infrastructure funding are great. We are holding regional meetings around the country with the first one being held today in Chicago. The agenda includes a discussion of economic trends for the next several years and much of the program is devoted to educating the attendees on the stimulus funding,

which will be broadcast nationwide. In addition, we have a panel that includes a Procurement Technical Assistance Center (PTAC) representative, a representative from Argonne Lab and the head of the Women's Business Center in Chicago who is helping women owned businesses survive this economy. The afternoon is devoted to sessions that concentrate on federal contracting and making sure women business owners are ready to take advantage of federal and state opportunities.

Thanks to the Obama Administration, the technical efforts behind Recovery.gov makes the stimulus money easy to track and will assist small businesses in finding new work opportunities. From what we have seen, the agencies are putting their distribution plans into place, but they are scrambling to find enough contracting officers to push these procurements out the door. We see a double-edged sword with respect to this shortage of acquisition manpower. It will mean that they will use existing contracting vehicles already in place. That is good news for small businesses with existing contracts, but not for small businesses who are mostly subcontractors or do not currently hold contracts.

On the other hand, we are not advocating that the stimulus money is held up until all new contracts can be put into place. The economy cannot afford long delays – small businesses and the communities in which they operate desperately need additional work. Because the process is much more transparent than in the past, it is our hope that small businesses will be awarded the contracts that they are entitled to in current law – 23% of prime contracts and the subcontracting goals the agencies have negotiated with SBA. With respect to women owned businesses, we expect that the women owned goal of 5% of prime contracts will be met. In FY 2007, only 3.4% of government contracts were awarded to women-owned firms. Equally as disappointing, the Small Business Administration (SBA) goaling report shows that the federal government failed to

reach the small business goal of 23% in FY 2007, falling short with 22%. We are counting on Congressional oversight to ensure that stimulus money meets these small business targets.

Let me take some time to focus on the Department of Energy (DOE) because I believe there are unique challenges for this agency to award contracting dollars to small businesses. As the Committee knows, a large percentage of DOE dollars are awarded to Management and Operating (M&O) contractors who manage its national labs. According to DOE, 85-90% of its procurement dollars are awarded to Facility Management Contractors (FMC), many of which are M&O contractors. Small businesses are, for the most part, second tier subcontractors to DOE through these FMCs. The difficulty under this scenario is that stimulus funding will largely be awarded to these large prime contractors. So, instead of directly contracting with small businesses, DOE will have to find a way to effectively work with its prime contractors to ensure that meaningful work flows down to the M&O named small business subcontractors and small businesses positioned to support the DOE through the M&Os. On this issue, WIPP sent a letter to DOE Secretary Chu on April 3, 2009, which is attached to my testimony, expressing concern about the opportunities that will be available to small businesses through the stimulus funding. We are still awaiting a response from the Secretary. WIPP feels strongly that small businesses should not be relegated to low margin subcontracts. Since the stimulus package did not change FAR requirements, WIPP will monitor DOE contracting opportunities to make sure that small businesses actively participate in DOE stimulus funds.

What I am currently observing through my company, and what I have received as input from a number of other DOE small business subcontractors, is that shovel ready projects are not being competitively bid or directly awarded to small business subcontractors by the DOE M&O contractors. With the historic DOE procurement process, it has been inherently difficult for

small business subcontracts to be bid and awarded in a timely manner. The problem is now compounded with the additional stimulus monies available for projects combined with the need to obligate these stimulus funds in a very short timeframe. Rather than real project opportunities, what small business subcontractors are seeing is small M&O support role subcontracts, such as M&O contractor staff augmentation contracts.

From my perspective, these types of subcontracts do not promote sustainable small business growth since the positions are not only temporary but often do not allow for sufficient profit to pay for employee benefits that would otherwise be offered to non-staff augmentation employees. While this practice promotes and grows the large business M&Os through the stimulus dollars, but it only provides a minimal benefit and opportunity to small businesses. In some cases, the M&O contractors are actually hiring staff away from small businesses to support their efforts rather than bidding out project work. I want to caveat this by saying that not all DOE M&O contractors are operating with this business model but we are seeing a trend in this direction.

Despite this trend, one of the exceptions to this business model is our experience with Bechtel National. My company, North Wind, Inc. is a DOE small business protégé of Bechtel. Because of this relationship, we have been given the opportunity through directed and competitively bid procurements to receive stimulus dollars and, as a result, have hired new staff to run and support these projects.

This model should be an example of how DOE small business subcontracting of stimulus monies can be done successfully, helping grow small businesses in a sustainable manner and foster growth well after the stimulus monies have been expended. By subcontracting projects rather than just adding temporary staff, Bechtel has not only allowed us to hire direct staff to

complete these projects but we have hired additional support staff and built our infrastructure so we are better positioned to take on bigger projects and likely add even more staff. In addition, I am able to subcontract work to other small and large businesses, who are also directly benefiting from the stimulus money. So as you can see, it really has a positive compounding effect for us as a small business. With this said, it is certainly not the case across the board with respect to these contract opportunities within the DOE sector. I believe this project award approach is in the spirit in which the stimulus was enacted.

According to a briefing in which WIPP participated at the White House, the agencies made very clear that the utilization of small businesses is going to be part of their performance matrix. WIPP would like to make the following recommendations: 1) that this Committee assess how the DOE M&O contractors are awarding subcontract dollars provided by the stimulus monies to small businesses 2) that in their stimulus reports, DOE include the amount of dollars being subcontracted and whether the subcontracted work will contribute to long term small business growth and 3) that DOE increase the number of opportunities that small businesses have directly with the agency as opposed to being a second tier subcontractor to one of the M&Os.

WIPP has testified before Congress and specifically the Senate Energy Committee in the past regarding our belief that DOE should consider contracting a significant amount of their contracts directly to small businesses. This approach will avoid procuring new work through a limited pool of existing subcontracts and open the competition to a larger number of small businesses. It will also enable small business prime contractor exposure directly with the agency, thereby increasing its company's qualifications and experience.

In addition to DOE, my company is performing work for the Departments of Defense, Agriculture, and Interior. Combined, they represent nearly half of my annual revenue. Each of

these agencies has already made positive strides in rapidly funding new and existing projects with stimulus money. In contrast to the DOE, many small businesses like mine are performing work as a first tier prime contractor directly for the Agency.

No matter which Agency is procuring the work, it is important to small businesses that they are given preference to perform work as the prime contractor, that the procurement is performed in an efficient and timely manner, and that all small businesses are provided fair opportunity – not just those who have existing contract vehicles or who are granted sole source contracting provisions.

In light of the large dollars being contracted through the stimulus bill at the federal and state level, it is time for the SBA to implement a women's procurement program which will assist federal agencies in meeting their 5% goal. WIPP thanks Chair Landrieu, Senators Mikulski and Durbin, and other Members of this Committee for their help in stopping the SBA's onerous proposed women's procurement program proposed in 2007. We have said for as long as WIPP has been in existence that Public Law 106-554, the law authorizing the Women-Owned Small Business Federal Contract Assistance Program, must be implemented in order to meet the federal contracting goal for women owned businesses passed by Congress. The original law was passed in 2000. SBA took seven long years to attempt to implement it and what was proposed was a slap in the face of every woman business owner in this country. We are asking today that the Committee pass a bill that was drafted last year as an amendment to the DOD Authorization bill. At the time, a large group of stakeholders, including women, minority and civil rights groups all agreed upon the language that Senators Kerry and Snowe drafted. The legislation strengthened the Congressional findings of discrimination and gave the program many of the

same tools other SBA programs employ. We urge the Committee to act as soon as possible to make this program available to women owned businesses.

In closing, we are optimistic that women owned businesses will be able to help jump-start the economy by participating in the \$787 billion available through the Recovery Act. With this Committee's support, we will be able to play an important part in contracting made available by stimulus funds.

Thank you for inviting me to share my views. I am happy to answer any questions.