



SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Opening Statement for
*"Small Business Contracting:
Ensuring Opportunities for America's Small Businesses"*
September 22, 2009 at 10:00 a.m.
Room 485 of the Russell Senate Office Building

(As Prepared)

Good morning and thank you for joining us at this roundtable today to look at ways to improve and expand small business contracting. Small businesses are responsible for a stronger economy, high-paying jobs, new prospects for women and minorities, and innovative, cutting-edge products. But in these dire economic times they've been especially hard hit, with more than 80 percent of the jobs lost since November coming from small and medium-sized businesses.

For this trend to change, small businesses need:

1. Access to capital – which we will focus on in the coming weeks at another Committee roundtable.
2. And increased sales.

In both of these areas the federal government can be especially helpful. Today we want to look at how the federal government can increase sales for small businesses through government contracts. Increasing contracting opportunities for small businesses is important for a number of reasons. First, the federal government is the largest purchaser in the world so it is uniquely positioned to offer business opportunities for small businesses of every shape, size and product offering. Second, because federal contracts can provide small firms with a consistent source of revenue over a longer period of time, they can help small businesses maintain a stable cash flow during these uncertain times. And third, by helping to stabilize small businesses through government contracting we can speed up the economic recovery and job growth that we all want.

That's the good news. The not so good news is that we can and must do much more to ensure that small businesses are getting contracting opportunities across the federal government.

As everyone here knows the federal government has a goal of spending 23 percent of its procurement dollars with small businesses. Unfortunately, the latest numbers from FY 2008 leave a lot to be desired. Last month, the Small Business Administration released data on the contracting dollars disbursed last year. In 2008 small businesses received \$93.3 billion in federal contracts, an increase of almost \$10 billion from 2007. However, that meant that the government fell short of its 23 percent goal, with 21.5 percent of contracting dollars going to small businesses. We can do better. President Obama has pledged to improve those numbers by increasing public knowledge of federal contracting opportunities and I will continue to do the same. We all know that there is still much work to be done.

Small businesses have trouble gaining access to contracts because of a maze of complicated laws and regulations that make it difficult for them to succeed. Those barriers include contract bundling, size standards with loopholes for big businesses, a lack of protections for sub-contractors, and a difficult to navigate General Services Administration (GSA) schedule. When a federal agency bundles contracts, it limits a small business' ability to bid for the contract, reduces competition, and leaves the taxpayers to pick up the tab for increased costs

over time. Size standards are also a very important issue. As you all know, a size standard is in most cases the highest gross income a business can have and still be considered small. There has been no serious update to size standards in years. We need to update them, we can update them, but in a way that doesn't harm small businesses.

I have heard from a number of small business owners that they have waited many months to get paid after they've completed their subcontracting work for a prime contractor. Many have also partnered with large businesses to bid on projects only to never hear from those large businesses again once the contract has been won. I want to know if this is still going on, and if so why, because that's just plain unacceptable.

And last, many small business owners have expressed their frustration that it is tough and expensive to get on the GSA schedule, not to mention a nightmare to navigate for a small firm with few resources. They are thrown into a pool with many other businesses, some the largest in the world, and they are told "you are on your own." That is a problem.

As we prepare to reauthorize the contracting provisions of the Small Business Act and create legislation to strengthen contracting opportunities for small businesses, I look forward to learning your ideas on how to fix the problems small businesses are facing in getting contracts. The Committee made a good attempt last year to legislate on a number of these issues as a part of last year's comprehensive small business reauthorization bill, S.2300. Although there were many good provisions in S.2300 last year that I supported, we couldn't get them through the Senate. This year we want a bill that will move. We are not interested in putting a lot of provisions in a bill that makes everyone happy, but cannot get out of the Senate. We are going to do something that is measured and that has a chance to succeed. It will not be perfect, but it will be a good start.

I would also like to learn what positive effects, if any, the Recovery Act may be having in expanding access to government contracts. I held a hearing on this back in May, but am interested to hear of any progress.

Now I would like to recognize my colleagues on the Committee for their statements.