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U.S DEPARTMENT OF TRANSPORTATION**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
U.S. SENATE**

MAY 21, 2009

The Role of Small Business in Recovery Act Contracting

Chairwoman Landrieu, Ranking Member Snowe, Members of the Committee:

Thank you for inviting the U. S. Department of Transportation (DOT) here today to discuss the role of small business in the American Recovery and Reinvestment Act (ARRA) contracting.

On February 17th, 2009 President Obama signed the ARRA appropriating \$48.1 billion to the Department of Transportation. Of that amount, DOT has already made available \$26.6 billion in highway funds, and \$7.5 billion in transit money, to states and local transit agencies.

A critical part of this effort is to make funds available to the states and other DOT recipients promptly and efficiently so jobs can be created to stimulate economic activity at the state and local levels. As part of our commitment, and under the leadership of Secretary LaHood, some contracts funded through ARRA have been awarded, and work is underway.

Under two separate and distinct programs within DOT, there are contracting and subcontracting opportunities for small and disadvantaged businesses. Opportunities are available under our federal financial assistance to state and local transportation agencies (formula and other grant funds) via the Disadvantaged Business Enterprise (DBE) Program and through DOT's direct contracting process (small business program).

Small Business Strategy -- Direct Contracting

Small businesses are the backbone of our economy, employing about half of all private sector employees and paying for nearly 45% of the total U.S. private payroll. DOT has developed a successful program designed to increase the number of federal competitively awarded contracts to small businesses by maximizing opportunities and promoting their use in DOT contracts and subcontracts.

DOT has developed a culture that has demonstrated its commitment to small and disadvantaged businesses. In 2008, DOT spent close to \$5 billion in direct contracting, of which over \$1.7 billion went to small, women-owned, veteran-owned, service disabled veteran-owned and disadvantaged businesses.

The DOT small business program is implemented under the leadership of the Office of Small and Disadvantaged Business Utilization (DOT/OSDBU) and encompasses all small businesses, including small and disadvantaged, women-owned, veteran-owned, service-disabled veteran-owned, and Historically Underutilized Business Zone certified firms.

The program is supported at the highest level of the organization and reflected in the DOT strategic and performance plans. The Transportation Acquisition Manual and the Transportation Acquisition Regulations reinforce written policies and procedures for use by the DOT Operating Administrations (OAs) to implement small business contracting activities. Each OA has at least one small business specialist to assist small businesses seeking contracting opportunities with DOT.

Small Business Strategy -- Formula Funds

The DBE program, enacted in 1983 as part of the Surface Transportation Assistance Act (STAA) of 1982, was designed as a vehicle to increase the participation by minority business enterprises in federally assisted state and local contracts. Three major DOT operating administrations are involved in the DBE program: the Federal Highway Administration, the Federal Aviation Administration and the Federal Transit Administration.

In Fiscal Year 2008, DOT distributed more than \$40 billion in formula and other grant funds, which resulted in over \$30 billion in contracting and subcontracting opportunities for small and disadvantaged businesses at the state and local levels. DBEs were awarded \$3.3 billion in contracts, representing over 11% of the total DOT assisted contracting.

The DOT is working with the states to monitor the funds distributed under ARRA. A number of reporting tools are being developed in accordance with the Recovery Act to meet the various requirements in the legislation. For example, FHWA has instituted a process to capture information on a monthly basis, of ARRA funded projects detailing DBE participation. We are looking at developing a working group to ascertain how to best capture the information at the subcontracting level. OSDBU intends to coordinate the development of a web based reporting tool to allow recipients to report DBE achievements into a centralized database. This will allow DOT to better monitor DBE awards or commitments and payments.

Implementation of Recovery Act

DOT will distribute about \$35 billion in ARRA appropriated infrastructure funds, which are subject to the same DBE program requirements as non-ARRA formula funded projects. DOT recently issued guidance to program administrators suggesting steps to take to mobilize underutilized DBE capacity that may be needed to meet increased demand fueled by the ARRA. States, airports and transit agencies must meet the same DBE requirements for ARRA resources as they do for normal formula funded programs. Based on our history with existing programs, we expect the ARRA to generate nearly \$3 billion in additional contracting and subcontracting opportunities for DBEs.

DOT continues to promote and encourage minority and woman-owned businesses to pursue contracts funded by ARRA and we are seeing positive results. For example, KND

Licensed Electrical Contracting & Services Corporation is a woman-owned, DBE Certified, electrical contracting firm that is a subcontractor for the “New York Long Island Rail Road East Side Access Project” that recently received \$195.4 Million in ARRA funding. KND is located in Deer Park, New York and has a solid track record for 10 years. KND is also utilizing the DOT’s Short Term Lending Program to continue to grow their business, which thanks to this effort is projected to increase by 30%.

Included in the Recovery Act is \$20 million for DBE bonding assistance for transportation projects that are specifically funded through ARRA. To maximize the impact of this money, DOT is working closely with the Small Business Administration (SBA) to develop potential options to leverage SBA’s existing Surety Bond Guarantee program, to benefit DBEs involved in ARRA. OSDBU will coordinate a very aggressive outreach campaign at the state and local level to promote and distribute information related to this program. This campaign will be a joint effort between DOT and state DOTs, Office of Civil Rights at the state and local levels, and other government agencies such as the SBA, the Minority Business Development Agency, and others. Part of our communication effort to disseminate information to small business will be coordinated through the nine Small Business Transportation Resource Centers (SBTRCs). OSDBU has established cooperative agreements with business organizations across the country to assist small businesses.

In the context of the DBE program, only firms certified as DBE under Title 49 Code of Federal Regulations parts 26 (49 CFR 26) are counted. DOT recently issued guidance to program administrators reemphasizing the applicability of the DBE program to any additional funding received under ARRA.

DOT also had issued guidance regarding the eligibility of service disabled veteran owned business and encouraging their participation in the DBE program. DOT is considering expanding its guidance regarding the use of the small business set-aside as it pertains to the DBE program.

Because small businesses are critical in stimulating economic growth and creating jobs, DOT encourages small business participation in all its grants. Recipients will be required to report small business participation through special ARRA reporting vehicles.

As part of the implementing guidance provided to the OAs for all ARRA procurement actions, DOT’s Senior Procurement Executive issued specific guidance instructing the OAs to ensure maximum opportunities for small businesses to compete in contracts resulting from the ARRA.

DOT actively reaches out to the small business community. For example, in Fiscal Year 2008 DOT OSDBU participated in more than 11 Service Disabled Veteran Owned Small Business (SDVOSB) related events and actively reached out to SDVOSB organizations to provide a supportive environment for them to present their capabilities to DOT and to learn about contract and subcontracting opportunities. DOT OSDBU actively participated in the National Veterans Conference sponsored by the U.S. Department of Veterans Affairs and received the outstanding federal agency award for engaging the SDVOSB community. OSDBU also provides technical assistance and workshops to small businesses on how to market their products and services to federal agencies, specifically to DOT. We continued to encourage the use of small business set-asides in

DOT contracts through the small business review process and individual interaction with procurement officials.

The DOT/OSDBU strategy has shown significant success. DOT has received the highest (green) rating from the Small Business Administration for exceeding most of its small business goals over the last three years, and will continue to make every effort to excel in this area.

Thank you for the opportunity to appear before you today. I will be happy to answer any questions.