



Testimony of Rosa Q. Caldas, President & CEO, ZemiTek, LLC

Provided to the U.S. Senate Committee on Small Business & Entrepreneurship

Realizing the Vision of Parren Mitchell – Untapping the Potential of Minority and Women Contracting. May 19<sup>th</sup>, 2021

Good afternoon Chairman Cardin, Ranking Member Paul, and members of the Committee. It is an honor to meet you and to be invited to speak to this Committee. My name is Rosa Caldas, and I am the President & CEO of ZemiTek, LLC, an SBA-certified 8(a) Small Disadvantaged and Woman Owned small business located in Bethesda, Maryland. Thank you for the opportunity to speak at today's hearing which will focus on improving the Federal Government's Minority and Women Owned Small Business contracting programs.

### **Background**

My experience supporting the Federal Government dates back to 1995, when I began managing federal IT projects for established government contracting firms. After working as a contractor for many years, I decided that I wanted to start my own business because I felt I could do a better job supporting the Federal Government and providing a better, more nurturing environment for my employees.

I founded ZemiTek in 2007 and initially worked out of my home. In 2008, ZemiTek was accepted as part of the Montgomery County Innovation Center and I moved my office to the Silver Spring Innovation Center. This allowed us to briefly enter the HUBZone program in 2009.

During our first 8 years, all of our work was through small purchase orders ranging from \$25K to \$100K and subcontract work with large prime contractors. During this period, we experienced many difficulties in gaining access to funding, limiting our ability to grow the firm. We saw the value in partnering with more experienced larger businesses and through one of these partnerships, we won our first significant prime contract award in 2015. We then secured our GSA Federal Supply Schedules IT 70 and Professional Services Schedule in 2017. We entered the SBA's Mentor Protégé Program and formed a Joint venture with our Mentor in 2017. Finally, we obtained the GSA's Best in Class OASIS Small Business Pool 1 and Pool 1 8(a) in 2020 through our joint venture. We now have over 70 employees as well as many consultants to support our work with the Federal Government.

## **Experience with Federal Small Business Programs**

### **Our HUBZone Experience**

ZemiTek received its HUBZone certification in 2009. We found it difficult to maintain this certification, owing to the redrawing of the boundaries from the 2010 census, and the 35% employee residency requirements. As a result, ZemiTek subsequently lost its HUBZone designation. While participating in this program, we noted that there were limited prime contract opportunities available for HUBZone companies, with subcontracting opportunities being the primary opportunity pool for HUBZone firms.

### **Our 8(a) experience**

First, I will say to any firms considering 8(a) certification, make sure you fully understand the federal contracting landscape prior to preparing your application for submission. Your business should be well-established and you should ensure that you're fully prepared to take advantage of your limited time in the program before you apply.

When initially considering pursuing 8(a) certification, we made a conscious decision to delay submitting our application. We wanted to ensure we had established the infrastructure, experience, and past performance in federal procurement needed to win prime contracts. We applied for 8(a) certification in 2015 and finally obtained it in 2016. By waiting to apply for 8(a) status until ZemiTek was ready to take advantage of the benefits of certification, we were better positioned to win sole source awards and compete for and win 8(a) set-aside contracts. However, the 8(a) program does have some challenges. For example, the sole source cap is long overdue for an increase. We believe it needs to be adjusted for inflation and to account for the increasing average size of federal contracts. For instance, we were recently awarded a sole source contract, and less than a year later the client has already issued work authorizations for approximately 80% of the contract ceiling.

Due to the pandemic, 2020 was a challenging year for ZemiTek, as well as our peers and competitors. Normal business development, client engagement, networking, and matchmaking opportunities were significantly reduced, and growth was simply much more difficult. We are incredibly grateful to SBA and to Congress and the Small Business Committees for their part in allowing for a one-year extension for 8(a) participants.

### **Our Mentor/Protégé Experience**

ZemiTek entered SBA's Mentor-Protégé Program in 2017, allowing us to benefit from the experience of a successful prime contractor. This formalized relationship allowed us to benefit from our mentor's guidance and improve our ability to pursue prime contracts. In 2017 we also formed a Joint Venture (JV) with our mentor, and obtained GSA's Best-in-Class OASIS Small Business Pool 1 and Pool 1 8(a) through the JV, and won our first task order in 2020. Currently, protégés are limited to two mentors through the life of the company, and we believe allowing more mentors would help small businesses to maximize their learning opportunities prior to graduation from the industry's size standard.

## **Category Management & Best-in-Class Vehicles**

We have been fortunate to capture some Best-in-Class (BIC) contracts due to our relationship with our mentor. However, we believe Category Management poses serious and significant challenges for the small business community. Fewer and fewer requirements are being issued as standalone contracts, meaning fewer opportunities for small and socioeconomically disadvantaged businesses. Consolidation and bundling of simpler requirements and placing them on BICs further erodes the competitiveness of small businesses, as they often lack the capability to bid on the size and complex nature of the consolidated contract, or lack access to the BIC vehicle altogether. Capturing a BIC as a stand-alone small business is extremely difficult. As a result, many small businesses end up pursuing these opportunities under a JV with a larger firm. This flows the small business set-aside benefits not only to the small firm, but also to the larger firm. Recently we have experienced agencies simultaneously releasing task orders not only on the set-aside pool of a BIC, but also in the unrestricted pool. This in effect requires the small businesses to compete with large firms, negating the benefits of a set-aside.

## **Our Women-Owned Small Business experience**

In recent years we have seen more opportunities set aside for Women-Owned Small Businesses (WOSB) companies. We won our first prime contract set aside for WOSB last year and we are currently pursuing several other contracts that have also been set aside for WOSB. The process of obtaining the WOSB certification using the new SBA system, [beta.certify.sba.gov](https://beta.certify.sba.gov), is challenging and we hope improvements to the system are implemented.

## **Suggested Improvements to Federal Small Business Programs**

### **Small Business Contracting Goal Improvements**

We sincerely believe federal small business contracting goals are due for review and upward revision, for prime and subcontracts alike. The federal government's small business goal has not been increased in over 24 years, and the WOSB goal has not been increased since its inception. Goals are important for fostering an inclusive environment in the federal procurement landscape, and we have found them to be effective in keeping the federal government accountable to the stated congressional intent to engage small business contractors to the maximum extent practicable<sup>1</sup>. While the government has effectively met most of its goals in the past several years, we note that these goals are a floor, and not a ceiling.

### **WOSB Program Improvements**

We have found the certification process in [beta.certify.sba.gov](https://beta.certify.sba.gov) to be cumbersome and challenging, and we recommend increasing resources to SBA to ensure that they are able to successfully manage the certification process. We also recommend implementing automatic reciprocity between the 8(a) and WOSB programs, whereby an 8(a) firm that meets the WOSB/EDWOSB requirements would automatically be certified as a WOSB firm. Lastly, we believe the WOSB contracting goal should be increased governmentwide.

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<sup>1</sup> Small Business Act of 1953

## **Mentor-Protégé Program Improvements**

We support the Mentor-Protégé Program, and have been able to benefit from our participation. However, we encourage the Committee to consider allowing small protégés to have more than two mentors throughout the lifetime of the protégé firm. As you know, small firms tend to want to stay small as to avoid the “valley of death” that many firms encounter upon graduation from their industry’s size standard. Oftentimes in the environment of Category Management and Best-in-Class vehicles, a small firm can only be successful when partnering with a qualified mentor. As such, we recommend increasing or removing the cap on the number of mentors that one protégé can have.

## **Category Management & Best-In-Class Vehicles Improvements**

We believe agencies should not be able to dual-track task orders as both a BIC set-aside and a full & open requirement. As previously noted, we have seen this occur on opportunities that we have pursued. Releasing a duplicate opportunity on the full & open track requires small businesses to compete with large firms, and it negates the benefits of a set-aside.

## **8(a) Program**

We are grateful for ZemiTek’s opportunity to participate in the 8(a) program. This program has been a driving factor in our success in federal contracting. That said, adjustments could be made to allow even more success for small disadvantaged firms.

First, we believe the 8(a) sole source cap needs to be adjusted, both for inflation and to account for the increasing average size of federal contracts. We propose a significant increase of the 8(a) sole source cap. Currently the maximum total contract value for a sole-sourced 8(a) award is \$4M. Making it an annual cap of \$4M would be preferable, but at the very least the cap should be doubled.

The 7(j) program has helped our staff tremendously. However, we suggest better marketing of the program and tailoring based on each participant’s needs.

Additionally, we believe more resources need to be provided to SBA District Offices. Business Opportunity Specialists often carry an overwhelming workload, and are forced to focus on compliance rather than business development. Many SBA District Offices could benefit from a significant increase in staffing as well as more consistent training nationwide. We appreciate the services we have received from our District Office, but believe increased staffing and improved training would enable a better relationship, where they are fully aware of our business development needs and we are made fully aware of the range of services that they can and should be providing.

## **Graduation and Runway Extension**

We appreciate the benefits of the Small Business Runway Extension Act, and fully supported this legislation. We also encourage SBA to quickly review size standards and apply increases where appropriate to account for inflation and consolidation of contract opportunities. Under current size standards, many firms will graduate in the next 12-18 months, in a pandemic environment where they cannot effectively compete with large, multi-billion-dollar firms. This creates perverse incentives to stay small, sell your company, or merge with another firm, which has a negative effect for the government buyer with respect to competition and innovation.

We understand the creation of a new designation for “mid-sized firms” may not be feasible with all the necessary infrastructure to support those firms. However, in the absence of a “mid-size” designation we believe programs like the Mentor-Protégé Program are the key to allowing firms to continue participating in the set-aside marketplace through graduation and beyond. As noted previously, removing the caps on mentors and protégés would provide recent graduates with a strong tool to survive the “valley of death” while also supporting smaller firms in the process.