



SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Opening Statement for
*“Mark Up of The Small Business Contracting
Revitalization Act of 2010”*

March 4, 2010 at 10:00 a.m.

Room 485 of the Russell Senate Office Building

(As prepared)

As Chair of the Senate Committee on Small Business and Entrepreneurship, I, along with Ranking Member Olympia Snowe, am pleased today to be marking up S.2989, The Small Business Contracting Improvements Act of 2010. I thank you all for going the extra mile to arrange your schedules to vote on this important bill today, which is designed to protect the interests of small businesses and boost their opportunities in the federal marketplace.

Since I know that several members will need to leave shortly, we will move to report the bill out of Committee as soon as we have reached a quorum.

Over and over we hear that small business is the engine that drives our economy. And it is true. In a typical year small businesses create 64 percent of new jobs. But not last year – last year more than 80 percent of job losses came from small businesses.

Small businesses need our help. This fact was vividly illustrated to me last month when Michael Bellard, a constituent of mine from Lafayette, Louisiana and a small business owner, told me of how he was down from 20 plus employees to three. He was clear that if he had access to federal work he would begin staffing up tomorrow. And that is the reason we are here to vote on this legislation today.

Granting small businesses government contracts is one of the easiest, most inexpensive, and most immediate ways we can help increase sales for small businesses and boost job creation on Main Street. This is because of the unique way contracting opportunities can stimulate job growth for small businesses. When large businesses get government contracts they can potentially absorb that new work into their workforce. When small businesses get government work they must “staff up” to meet the increased demand.

But the reality is, small businesses need all the help they can get accessing federal contracts. In FY 2008, according to the Federal Procurement Data System, the federal government missed its 23 percent contracting goal by 1.51 percent – meaning more than \$6.51 billion. That represents money that could have gone to small businesses to create thousands of new jobs.

These numbers tell the stark story of why this legislation cannot come soon enough for our small businesses.

The bill makes improvements in four key areas: contract bundling, subcontracting, the acquisition process, and small business size and status integrity.

The first area I'll explain is contract bundling. Although contract bundling may have started out as a good idea, it has now become the prime example of the old saying that too much of a good thing can be very, very bad. The proliferation of bundled contracts coupled with the decimation of contracting professionals within the government threatens to kill small businesses' ability to compete for federal contracts.

This bill looks to address those issues by ensuring: (1) accountability of senior agency management for all incidents of bundling; (2) timely and accurate reporting of contract bundling information by all federal agencies; and (3) improved oversight of bundling regulation compliance by the Small Business Administration (SBA).

The bill also ensures that contract consolidation decisions made by a department or agency, provide small businesses with appropriate opportunities to participate as prime contractors and subcontractors.

Another way this bill tackles bundling is by creating a joint venture and teaming center at the SBA. This center will provide technical support to associations and businesses that are interested in bidding on larger contracts as part of small business teams or joint ventures. The bill will also ease regulations that serve as disincentives for small businesses that want to enter into teaming relationships.

The second area this bill attempts to address is subcontracting. The Committee has heard from many businesses that have said the way subcontracting compliance is calculated creates opportunity for abuse. They also related that many small businesses will spend time, money and effort preparing bid proposals only to never hear from prime contractors again once the contract is won. Many also complain about a lack of timely payments after they have completed work.

This bill attempts to deal with some of these issues by including provisions designed to prevent misrepresentations in subcontracting by prime contractors. To accomplish this, the bill: (1) provides guidelines and procedures for reviewing and evaluating subcontractor participation in prime contracts and (2) provides for oversight to ensure speedier payments to small business subcontractors who have successfully completed work on behalf of the prime contractor.

The third area I intend to update is the acquisition process. This bill aims to increase the number of small business contracting opportunities by including additional provisions to reduce bundled contracts by reserving more contracts for small business concerns. The bill accomplishes this by: (1) authorizing small business set-asides in multiple-award, multi-agency contracting vehicles; (2) directing the Office of Federal Procurement Policy to issue guidelines to analyze the use of government credit cards for the purpose of meeting small business goals; and (3) requiring that agencies include meeting small business contracting goals in the performance evaluation of contracting and program personnel.

The last area that we tackle in this legislation is small business size and status integrity. The Committee has heard from a number of small businesses about large businesses parading as small businesses. It is imperative that small business contracts go to small businesses. Small businesses may be losing billions of dollars in opportunities because of size standard loopholes.

This bill attempts to address these issues by making additions to the Small Business Act that are designed to strengthen the government's ability to enforce the size and status standards for small business certification. To achieve this, the new section: (1) establishes a presumption of loss to the federal government whenever a large business performs a small business contract; (2) requires that small businesses annually certify their size status; (3) requires the development of training programs for small business size standards; (4) requires a detailed review of the size standards for small businesses by the SBA within one year; and (5) directs GAO to study the effectiveness of the mentor-protégé program.

It is well past time to provide greater opportunities for the thousands of small business owners who wish to do business with the federal government. I believe that this legislation is a good step forward toward opening those doors of opportunity, but it is only the first step. I plan on working to address many of the socioeconomic programs tied to contracting, including 8(a) and others, in the very near future.

I hope all of you will join Senator Snowe and I today in supporting this bill. I now turn to Senator Snowe and others for any comments or remarks.