

**Testimony of
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**Hearing on
Small Business Access to the Federal Marketplace**

**Committee on Small Business
Subcommittee on Contracting and Technology
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Chairman Braley, Ranking Member Davis and Members of the Committee, thank you for the opportunity to testify today. My name is Fay Ott, and I am the Associate Administrator for Government Contracting and Business Development at the Small Business Administration, and on behalf of Administrator Preston, I welcome the chance to discuss SBA's progress in increasing federal procurement opportunities for small businesses.

SBA has made significant strides to improve small business access to federal contracts. From FY 2000 to FY 2006, federal government prime contracting dollars going to small businesses have grown by 54 percent, from \$50 billion to \$77 billion. During that same period, federal government subcontracting dollars going to small businesses increased 71 percent, from \$35.5 billion to \$60.7 billion. In terms of jobs among small businesses, this increase in prime contracting dollars translates into more than 571,000, while among subcontractors we estimate that more than 450,000 jobs have been created or retained. This is significant and represents real progress for America's small businesses.

Looking forward, SBA recognizes the need to improve small business government contracting programs, both within SBA and externally by working with other Executive agencies. We have worked to provide data that more accurately measures agency results, and we have continued to improve SBA's Scorecard so that it more clearly measures agency progress toward small business goals. We are addressing a long-standing problem over the size standard recertification process, and we are continuing to work on updating size standards across the range of business categories. Finally, we are working to ensure that small businesses have the best possible access to federal contracting opportunities by augmenting and providing better direction to the personnel who work directly with small businesses.

PCRs

Currently, there are 66 Procurement Center Representatives (PCRs). I know that the committee and its members realize the important role PCRs play, and SBA is committed to supporting and, where appropriate, augmenting this valuable work. This number includes the recent hires that Administrator Preston discussed during his testimony before the committee. The agency's FY 2009 budget request is based on a total of 66 PCRs.

Because of the dynamic nature of the PCR workforce, we have in place a succession plan that takes into account the future retirements of current PCRs, and we will backfill in a timely fashion any positions that become vacant.

Along with the increased number of PCRs, SBA is also implementing a plan to improve the services these individuals provide. One of Administrator Preston's priorities for 2008 is to review the duties of PCRs to ensure that they can devote more time to finding opportunities for small businesses with procuring agencies. This process is ongoing, but we believe that once fully implemented it will allow PCRs to focus more intently on finding Federal contracting opportunities while also allowing district offices, SBA, and non-SBA resource partners to focus on the training and counseling necessary to get small businesses ready to compete for Federal contracts.

8(A) PROGRAM

The 8(a) Business Development Program assists small disadvantaged firms in gaining the skills they need to more successfully compete for federal contracts. Since 2007, the 8(a) portfolio has grown by 32 percent, and the reported 8(a) derived revenue is \$5.7 billion. On average, 8(a) revenue represents approximately 29 percent of the total revenue for 8(a) firms. On the employment front, 8(a) firms employ more than 182,000 people per year.

SBA is moving ahead with plans to improve 8(a) program services. We are reengineering the process for annual reviews and certifications to make them both less burdensome and more focused on the skills that businesses need to succeed. We have established new training for district staff to improve customer service during the application, review, and contracting assistance processes. Further, we have completed two tribal consultations for new ANC regulations and we are evaluating the results as part of an overall review.

HUBZONE

The HubZone program, which provides vital assistance to historically underutilized business zones, is another area where we are focused on improving accountability. The May 2006 SBA Office of Inspector General audit of the program produced five recommendations to address various concerns. SBA has taken positive steps to address each of these issues, and these plans and actions have satisfied the Inspector General in regards to this audit.

Additionally, concerns have been raised about possible fraud or misrepresentation by HubZone applicants, and I want to assure the committee that SBA takes these issues very seriously. We have increased site visits, and we have made stepped-up Program Examinations a priority. Thus far in FY 2008, we have completed 362 Program Examinations, resulting in 144 positive findings, 183 proposed decertifications, and 35 decertifications. This process is ongoing, and we are working to ensure greater accountability and transparency in the HubZone program.

SCORECARD

In August 2007, SBA released the Small Business Procurement Scorecard, which we believe is an important new tool that will help federal agencies provide the maximum possible access for small businesses in the federal marketplace. The Scorecard measures “current” performance, while also reviewing the “progress” plans of federal agencies in providing more small business contracting opportunities.

The scorecard is patterned on the one used under the President’s Management Agenda. It rates 24 agencies green, yellow or red, based on their performance in meeting annual small business contracting goals. To achieve a green rating a Federal agency has to meet its overall small business contracting goal, as well as the goals for at least three of four subcategories. Based on performance, seven agencies were rated green, five yellow, and 12 were red.

SBA’s Scorecard is the direct result of a series of initiatives to improve small business participation in Federal contracting, and we believe it is a significant step forward in allowing the public to assess the agencies’ performance in meeting their goals.

DATA INTEGRITY

As the implementation of the Federal Procurement Data System – Next Generation evolved, quality control concerns were raised about the system’s data. SBA and the Office of Federal Procurement Policy directed agencies to review their FY2005 data, allowing miscoding and anomalies in the database to be corrected. Today, we have much greater confidence in the contracting data, and the American public will benefit greatly from this increased accuracy and transparency.

SIZE RECERTIFICATION

SBA’s size recertification rule took effect on June 30, 2007. The regulation requires small businesses to recertify their size status on long-term contracts at the end of the first five years of a contract and thereafter whenever a contract option is exercised. In addition, recertification is required for short-term contracts when a small business is purchased by or merges with another business. When contractors can no longer certify their small business size status, Federal agencies can no longer count awards to them toward their small business goals. These changes do not affect the terms and conditions of the underlying contract, nor do they require termination of existing contracts where

size status has changed. Ultimately, the new recertification rules will ensure more accurate data and further support our efforts to help small businesses receive more contracts throughout the federal government.

Chairman Braley and Members of the Committee, thank you again for the opportunity to testify before you regarding our work to promote government contracting programs for America's small business, and I am happy to answer any questions you may have.