

**Statement of Kenneth Q. Lujan
Guam Branch Manager
U.S. Small Business Administration
House Committee on Natural Resources,
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Hafa Adai, Chairwoman Christensen, Ranking Member Fortuno and distinguished members of this subcommittee. Thank you for inviting me to discuss SBA's commitment to assisting small businesses in Guam. I am Kenneth Lujan, Guam Branch Manager for the U.S. Small Business Administration (SBA).

The mission of the U.S. Small Business Administration is to aide, counsel, and protect the interests of small business concerns, as well as to advocate on their behalf. SBA's outreach of assistance to small businesses extends to all 50 States, as well as all U.S. territories, in the form of technical, financial, contracting and disaster recovery assistance. For many years, SBA has aided the island communities with its direct loan programs after natural disasters and its guaranty loan program for start-up and existing small businesses. SBA continues to remain committed to assisting small businesses achieving the entrepreneurial spirit on the island of Guam.

I want to provide this subcommittee with a small business background of the island of Guam. In 2002, Guamanian establishments numbered 2,926; employed 43,104 people; and generated \$4.6 billion in revenues. Small employer establishments with 50 or more employees represented 97.2 percent of business on the island. Bankruptcies in Guam totaled 10 in 2005, compared to a total of 6 in 2004. Establishments with 50 or more employees accounted for 51.0 percent of employed persons and almost 50 percent of revenues. Most of these jobs were in retail trade, accommodation and food services, administrative, support, waste management and remediation services. In addition, the total number of bank branches operating in Guam declined from 34 in 2004 to 31 in 2005. SBA recognizes the challenges of the small business concern and continues to work with the island small business community, as well as our government to address such concerns.

Additional statistics for Guam reveal that there are currently 38 8(a) firms, 48 Service-Disabled Veteran Owned firms, 104 Women-Owned firms and 203 Minority-Owned firms on Guam that are registered to do business with the federal government. SBA is actively engaging with a number of government, private, and nonprofit organizations to expand our public-private partnerships. By doing this, we plan to achieve improved local outreach efforts following a disaster, improving planning capability and bolstering processing capability.

A challenge affecting the small business community on Guam and its neighboring islands is having the necessary data to make sound business decisions. SBA encourages each business obtaining a SBA guaranteed loan to develop a business plan to serve as

their roadmap to success. Feasibility studies, estimation of costs, budget forecasting and management of operations play an intricate role in operating a successful business on the island of Guam. SBA provides resources necessary to develop such a roadmap to success. To provide adequate training, counseling and business development plans, SBA cosponsors a chapter of Service Corps of Retired Executives (SCORE) and seven Small Business Development Center locations on Guam to assist local small business owners.

Guam continues to experience discussions of military buildup, which have stimulated the business environment as witnessed by the increase in business activity throughout the island. The massive influx of military personnel and their families will bring new business as well as potential new business owners to the island. SBA will continue to provide assistance to existing small business owners and potential new small businesses, as well as assist them in securing government contracts on the island of Guam, many of which are associated with The Guam Integrated Military Development Plan. These contracts will be crucial to ensure that the island can accommodate the potential reassignment of thousands of military personnel.

Based on Defense Federal Acquisition Regulation (DFAR) 236.570(c)(1), solicitations for military construction contracts that are funded with military construction appropriations and are estimated to exceed \$1,000,000 will allow a preference to United States firms. To qualify for the preference, contract performance must be in a United States territory or possession in the Pacific or in a country bordering the Arabian Gulf. To be defined as a U.S. firm: 1) the corporate headquarters must be in the United States; 2) the firm must have filed corporate and employment tax returns in the United States for a minimum of 2 years (if required), must have filed State and Federal income tax returns (if required) for 2 years, and must have paid any taxes due as a result of these filings; and 3) the firm must employ United States citizens in key management positions. (DFAR 252.236-7010). This provision allows for contracts to be made to U.S. Firms if they are made using appropriated funds.

Since the passage of the Small Business Act in 1953, it has been the policy of Congress to ensure that small businesses receive a fair portion of Federal contracts. The Small Business Act sets a goal of twenty three percent of all Federal contract dollars for small businesses. SBA's Office of Government Contracting and Business Development (GCBD) works to create an environment for maximum participation by service disabled veteran-owned, disadvantaged, and woman-owned small businesses in federal government contract awards and large prime subcontract awards. GCBD advocates on behalf of small business in the federal procurement world.

Guam is experiencing an increase in the number of firms that have been certified under the HUBZone (Historically Underutilized Business Zone) certification program. The HUBZone Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. Under the Transportation Equity Act, the entire island of Guam was designated as a HUBZone location, and as a result, the HUBZone

certified companies are beginning to receive federal contracts. Currently, there are 122 HUBZone certified companies located on Guam.

To further assist small businesses, SBA is continuously working with our entrepreneurial development partners, including SBDCs to develop a strategy in which they might play an integral part in assisting companies that are interested in doing business with the federal government. Outreach efforts are being directed toward potential businesses to assist them in registering their company on the Central Contractor Registry (CCR) website. Extensive training modules are planned for the next fiscal year to assist those businesses who are beyond the "start-up" stage with additional training for those who are just getting started.

With discussions of The Guam Integrated Military Development Plan, SBA will continue to prepare the community with the necessary training as well as inform small businesses on how to do business with the federal government. SBA plans to work with the Department of Defense and U.S. General Services Administration to ensure that small businesses in Guam receive a fair opportunity to compete for contracts.

Thank you and Si Yu'us Ma'ase for the opportunity to speak to you today about this very important topic for the island of Guam. This concludes my testimony; I look forward to answering any questions you may have.