



Opening Statement

(AS PREPARED FOR DELIVERY)

Chairman Richard Hanna

Small Business Committee

Subcommittee on Contracting and the Workforce

November 18, 2015

“Continuing Challenges for Small Contractors”

Good morning. The hearing will come to order.

There is an old adage in business that you can't manage what you don't measure. The very act of tracking often drives behavior. However, today we're going to talk about what happens when measurements are distorted or ignored. In the realm of federal contracting, it usually means small businesses suffer.

For example, when you look at the small business goals, SBA grades results. However, what SBA reports isn't what we told it to measure. Congress created a goal of awarding 23 percent of prime contracts to small businesses each year, and SBA reports that it exceeded that goal for the last two years. Unfortunately, the truth is that the federal government excludes nearly 20 percent of its contract dollars before it figures out if it met the goals. Due to the way SBA counts the exclusions, some agencies aren't required to do much for small businesses. Agencies like the Department of Transportation report that over 45 percent of their contracts went to small businesses, but in reality it was only 13 percent because DOT excluded 72 percent of its contracts as unsuitable for award to small businesses. The General Services Administration – an agency that has procurement as its mission – reported that 40 percent of its contracts went to small businesses, but the truth is that only 17 percent went to small firms because GSA only thinks that 44 percent of its contracts count. This fuzzy math costs small businesses \$ 11 billion each year.

Likewise, when it comes to subcontracting, the Small Business Act requires that large prime contractors' businesses must negotiate goals for using small subcontractors. However, the last time a company suffered a penalty for violating its subcontracting plan was 1982. Indeed, SBA lowered the subcontracting goal again last year, but agencies still are missing the goal: the subcontracting

achievements report doesn't even provide dollars, although this information has been required since the 1970s. Many large contractors don't even bother submitting reports about their subcontracting activities. All of this sends the message that while Congress may want small business subcontractors to succeed, the Executive Branch simply can't be bothered to enforce the laws or even to measure the results.

What we measure matters, and it's time we recognize the contribution small businesses, both as prime and subcontractors, make to the economy. They increase competition, increase innovation, create jobs, and save taxpayer dollars. As this Subcommittee considers the issues surrounding small businesses and federal contracting, we want to learn how we can ensure we are using the right metrics and getting complete data. If we succeed at that goal, we will help small businesses compete, create jobs, and save taxpayers money. I want to thank our witnesses for their participation today, which will help us achieve those ends.

I now yield to Ranking Member Velázquez for her opening remarks