

**U.S. Small Business Administration
Washington D.C. 20416**

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Written Testimony of

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Before The

**United States House of Representatives
Small Business Committee**

Hearing Entitled

“Ensuring Opportunities: Oversight of the HUBZone Program”

To Chairman Chabot, Ranking Member Velázquez, and members of the full committee, I appreciate the opportunity to testify. Before I begin, I would like to take a moment to acknowledge your former colleague, Congressman Mark Takai of Hawaii, who served as Ranking Member of the Subcommittee on Contracting and Workforce. Congressman Takai was a true advocate and leader for small businesses in Hawaii and across the nation. His presence will truly be missed.

Over the past seven years, the Administration, Congress, SBA, and federal agencies have been successful in expanding federal small business contracting opportunities. As a result of increased advocacy efforts, and improved policies and regulations, the level of accountability has been raised across the federal government and its executive leadership teams, allowing small businesses to continue to become more agile, innovative, and affordable providers of goods and services. This increased focus has resulted in over \$640 billion in federal contracting dollars being awarded to small businesses from Fiscal Years (FY) 2009 to 2015. Of that, \$90.7 billion was awarded in FY 2015, which represents an incredible impact to the American economy and drove job creation and support for over 537,000 jobs. Through small business contracting, the federal government acts as a catalyst for small business growth, while supporting the economic security of the nation.

For the third consecutive year, the federal government exceeded the 23 percent small business prime contracting procurement goal, awarding 25.75 percent of eligible contracts to small businesses in FY 2015. This is the highest percentage recorded in history. Additionally, the federal government achieved the Women-Owned Small Business (WOSB) goal of five percent for the first time in history, doubled the Small Disadvantaged Business (SDB) goal, and achieved the highest percentage ever of contracts awarded to Service-Disabled Veteran Owned Small Businesses (SDVOSBs) at 3.93 percent.

We have been able to achieve these goals through a commitment to small businesses participation and growth by federal agencies. During FY 2015, the federal government as a

whole received an “A” on its Small Business Scorecard, with three the 24 agencies receiving an “A+,” and 18 agencies receiving an “A.” These achievements are the result of the dedicated and focused efforts by the SBA and federal agencies to support small businesses, as they play a critical role in building and sustaining the nation’s industrial base and strengthening the economy.

Over the last few years, the SBA Office of Government Contracting and Business Development (GCBD) began a variety of programmatic streamlining and process improvements efforts to enhance customer service and reduce the administrative burdens on small business firms. These ongoing efforts include, but are not limited to, significant improvements and reduced timelines in processing 8(a) and HUBZone Program applications, including 8(a) Mentor Protégée agreements, while overhauling the HUBZone, 8(a), and WOSB programs’ Standard Operating Procedures, which are nearing final agency approval. GCBD also initiated efforts to invest in technological solutions to provide efficiencies for our interactions with small businesses. To ensure compliance with small business contracting regulations, Administrator Contreras-Sweet authorized the hiring of 10 additional Procurement Center Representatives (PCRs), who were subsequently hired. They are currently supporting oversight of federal buying center activities and have fulfilled a long-term need of providing additional oversight and support.

SBA has also implemented over 25 provisions from the Small Business Jobs Act of 2010 and the National Defense Authorization Acts (NDAAs) of 2013, 2014, 2015, and 2016, and is making great progress towards implementing the remaining provisions. Provisions implemented to date include completion of the WOSB Industry study, finalization of the WOSB sole source rule, accountability of senior executives, total and partial set-asides and reserves under multiple award contracts, revisions to the reporting structure of Office of Small Disadvantaged Business Utilization (OSDBU), inclusion of overseas contracting in the FY16 goaling base, and increased training and certification for staff. Additionally, the SBA issued a final rule expanding HUBZone eligibility in areas surrounding Based Realignment and Closure (BRAC) areas, qualified disaster areas, and allowing Native Hawaiian Organizations to own HUBZone firms. SBA also issued a

final rule on teaming allowing small business concerns to utilize similarly situated entities to perform set-aside contracts. We are working closely with the FAR Council to incorporate new regulations into the FAR as expeditiously as possible. Lastly, SBA issued a final rule implementing the new “All Small” Mentor Protégée Program (MPP), which was followed by Administrator Contreras-Sweet approving the new office structure and processes for the program last month. With these important steps, the new “All Small” MPP is on track to begin accepting applications on October 1, 2016.

As we continue to support and improve contracting opportunities for small businesses, there are always opportunities to build upon our strengths and improve in certain areas. We are aware of recommendations from the Government Accountability Office (GAO) and the Inspector General (IG) that remain open and need to be closed with urgency. Closure of these open recommendations is a high priority and we are actively working with the IG and GAO to come to meaningful resolutions that will benefit small businesses through improved SBA policies and practices. In particular, the HUBZone program has two open GAO recommendations and two open IG recommendations that we are actively working to resolve. Through continued engagement and open communication, we believe we are nearing closure of these recommendations.

In general, the HUBZone Contracting Program serves as an economic development tool that encourages small businesses to locate, invest, and hire employees from economically disadvantaged areas of the United States. As an agency, we work tirelessly to educate the small business and procurement communities about the HUBZone Program, in order to encourage firms to seek certification, help agency buyers utilize the program, and show economic development entities how the program’s benefits can be used as a tool to attract small businesses to certain areas. Despite limited resources, the program has seen success in its efforts to ensure its mission is achieved. For example, the HUBZone Program has implemented a sustainable plan to process applications within a 90 day period and successfully conducted site visits to 10 percent of firms in its portfolio with 87 percent of those site visits finding firms

in compliance. The program office has also increased education and outreach efforts through the second year of the DestinationHUB initiative, visiting 15 cities and encouraging small businesses to seek federal contracting opportunities. Moreover, the SBA recently conducted an in-depth analysis of the legislative and regulatory history of the program to determine if it had authority to remove the 20 percent population cap to positively impact additional areas. Our analysis confirmed that SBA did have the authority to remove the cap and subsequently did so increasing the number of census tracts becoming HUBZones. Due to the removal of the cap, Puerto Rico saw the largest increase of 516 new designated HUBZones.

We are highly committed to continuous improvements in the HUBZone program, along with SBA's other certification and contracting programs. Our goal is to remove unnecessary burdens placed on small businesses that have no merit. We are working intently to incorporate the remaining, yet unimplemented provisions from recent Defense authorization bills into official agency policies and regulations intended to allow an even playing field for small businesses. Furthermore, we remain committed to updating our Standard Operating Procedures as well as resolving open recommendations from the GAO and IG.

Our mission at the SBA is always to ensure that responsible small businesses have the maximum practicable opportunity to compete for and do business with the federal government. Every day, we work diligently to fulfill that mission. I would like to recognize this committee's commitment to small businesses and for being a partner in advancing positive small business practices across the federal marketplace. I would also like to acknowledge the Administration and federal agencies for their dedication to providing meaningful contracting opportunities to the small business community. Led by Administrator Contreras-Sweet, we will continue to fight for small businesses, improve participation, and support firms as they compete and successfully win federal contracting opportunities.

Thank you for the opportunity to testify here today. I look forward to your questions.