



**Opening Statement of
Chairman Richard Hanna
House Subcommittee on Contracting and Workforce
*Hearing: “Sizing Up Small Business: SBA’s Failure to Implement Congressional Direction”
June 4, 2015***

Good morning. I call this hearing to order. I want to welcome Congressman Mark Takai who is joining us today as the new ranking member of this subcommittee. I look forward to working with you. I’d also like to welcome Congressman Mike Bost, who is sitting in on today’s hearing.

The topic of today’s hearing goes to the essence of what we do as a subcommittee, since it deals with who we consider a small business. When we ask who qualifies as a small business, the answer to that question has ramifications for all of the Small Business Administration’s (SBA) programs. The answer also governs which companies are eligible for nearly \$200 billion in prime and subcontracts each year.

The answer isn’t necessarily a simple one – a small aircraft manufacturer isn’t going to look like a small architect. If you ask most businesses, they’ll tell you that they are small, but that their next largest competitor isn’t a small business. For these reasons, Congress gave the SBA the ability to decide which firms are small on an industry-by-industry basis. However, we required that SBA base these decisions in a rigorous rulemaking process.

Unfortunately, today’s hearing highlights a problem with that process. During the 112th Congress, the Small Business Committee strengthened the rules governing how SBA defines a small business. This legislative change, which was signed into law on January 2, 2013, was prompted by complaints from industries such as the architects, engineers, and technology service providers that the size standards didn’t reflect the realities of their industries.

However, two and half years later, SBA has yet to implement the changes made during the 112th Congress. Indeed, a recent proposed rule ignored these important, bipartisan statutory changes. At the time, the Committee submitted comments warning SBA that unless they withdrew the proposed rule, they were courting a lawsuit they couldn’t win.

SBA is proceeding with this proposed rule, and says that it will begin implementing the statutory changes sometime next year. In the interim, they are deciding the size standards that govern tens of billions of federal contracts each year. Currently, firms in these industries have little recourse – they can sue in federal district court at a cost of time and money they can ill afford.

I look forward to hearing from today's witnesses about the effects of SBA's failure to comply with these statutory changes. The Subcommittee also welcomes any comments you may have on Congressman Bost's proposed solution to this problem – H.R. 1429, the Stronger Voice for Small Business Act of 2015, which passed the House as part of this year's National Defense Authorization Act. The testimony collected today will be sent to SBA and to the Office of Management and Budget in an effort to further inform how SBA is promulgating size standards.

I now yield to the Ranking Member for his opening statement.