



Chairman Richard Hanna
Committee on Small Business
Subcommittee on Contracting and Workforce
“Building America: Challenges for Small Construction Contractors”
May 23, 2013

Good morning. This hearing will come to order. We’re here today to talk about the role small businesses play in construction contracting, and how Congress can act to increase the opportunities for small businesses. To that end, we’re going to talk about four different problems facing small business construction contractors, and potential legislative solutions to each of these.

I’m familiar with many of the issues we’ll discuss today because of my personal experience as a construction contractor.

Over the course of almost 30 years in private business, I grew a small firm from the ground up that employed around 450 people over time and successfully completed a myriad of commercial and municipal projects in upstate New York.

Given that experience, I know how important small business construction contracting is. It is an industry where a small business can grow into a large business. Construction contracting builds communities.

And as you’ll hear from our private sector witnesses, federal construction contracting plays a big part in creating these opportunities.

In the federal space, construction and architect & engineering (A&E) contracting represent about 1 in every 6 prime contract dollars awarded to small businesses. That was over \$17 billion in prime contracts last year.

However, as construction projects get larger, it becomes harder for small businesses to obtain the necessary bonding to bid on these projects. In these cases, they sometime turn to disreputable sureties who issue worthless bonds that place the taxpayers at risk.

That’s why I’m the proud sponsor of H.R. 776, which we’ll discuss today. This is a no-cost bill that makes it easier for small businesses to get legitimate bonds, and that makes sure that all bonds are worth more than the paper on which they are written. The Small Business Administration is joining us to discuss making bonds accessible to small firms.

Sometimes the way we buy construction and A&E is as important to small businesses as what we are buying, so we are also going to discuss two procurement methodologies.

The first, reverse auctions, may work for commodities but I question whether it is appropriate for construction-related services. The second methodology is the two-phase approach to design build contracts. Given the cost of bidding for design build work, the two phase approach allows more small businesses to compete yet it isn't always properly used. The Corps of Engineers have looked at both of these methodologies, and I look forward to hearing more about their findings.

Construction contracting, more than almost any other industry, creates opportunities for small business subcontractors. For that reason, the law requires that prime contractors and large subcontractors track and report on how they use small businesses as subcontractors. We give large businesses credit towards their subcontracting goals if they use small businesses at the first tier of subcontracting, but not if the small businesses are at the second or third tier. Today we are going to examine whether we can create more opportunities for small businesses if we start counting these lower tiered subcontractors.

I look forward to a good conversation today so that we can give the Committee recommendations on how to proceed legislatively. I want to thank all of our witnesses for joining in this important conversation. I now yield to Ranking Member Meng for her opening statement.