



U.S. Small Business Administration

TESTIMONY OF

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U.S. Small Business Administration

**House Small Business Committee
Subcommittee on Contracting and Workforce**

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Chairman Knight, Ranking Member Murphy, and Members of the Subcommittee, thank you for inviting me to testify before you today. SBA and the Offices of Small and Disadvantaged Business Utilization (OSDBU) at the federal agencies work side by side and play a critical role in helping small businesses obtain access to federal contracts.

The Administrator, through the Office Government Contracting & Business Development, chairs the Small Business Procurement Advisory Council (SBPAC). The purpose of the SBPAC is to discuss government contracting policies and share best practices with the OSDBU directors at the federal agencies to further promote contracting opportunities for small business. The SBPAC meets on a monthly basis. SBA, as the agency responsible for reporting on small business federal government contracting achievement, establishes federal agency goals; so goaling, performance, and sharing of best practices are regular topics of discussion for the SBPAC. Many years ago, SBA created the Scorecard, which was intended to evaluate federal agency effectiveness on achieving their small business contracting goals against performance. Over the years, it has changed as Administrations have changed. The Scorecard has also increased senior executive level engagement with small business contracting, as it is a matter of public record, and has significantly contributed toward the federal government meeting its statutory small business prime contracting goal for the 4th year in a row in FY 2016. In FY 2016, the government exceeded the Small Disadvantaged Business goal, and for the fifth consecutive year, the Service-Disabled Veteran Owned Small Business goal; achieving its highest performance ever in awards to concerns owned and controlled by service-disabled veterans.

Prior to FY 2017, each agency received a letter grade based on its performance as follows: 80% of the grade was small business prime contracting performance in each of the 5 socio-economic categories, 10% of the grade was the agencies' subcontracting performance in each of the 5 socio-economic categories, and 10% of the grade was a peer review of success factors, essentially steps and actions that federal agencies should take to meet the small business prime contracting and subcontracting goals.

The success in meeting the small business prime contracting goal has been accompanied by a review of the number of contracts actually awarded to individual small business concerns. Thus, in Section 868 of the National Defense Authorization Act of 2016, Congress directed SBA to adjust the Scorecard rating values and bring greater balance to better understand small business engagement. As a result, beginning in FY 2017, the small business prime contracting weighted goal is lowered from 80% to 50% of the agency's grade, subcontracting is raised from 10% to 20%, and a new required factor is the comparison of the number of small business concerns awarded prime contracts in one fiscal year compared to a prior fiscal year. In FY 2017, this comparison will account for 10% of an agency's grade. In addition, the National Defense Authorization Act of 2013 directed the SBPAC to conduct a peer review of OSDBU compliance with the requirements of Section 15(k) of the Small Business Act. For FY 2017, SBA has implemented OSDBU peer review changes as part of the Scorecard process. As the Government Accountability Office (GAO) noted, this OSDBU peer review will now account for 20% of an Agency's grade (in FY 2017). In accordance with GAO's recommendations, SBA will provide agencies with more detailed guidelines on the peer review process. The Scorecard and peer review process is an iterative process, and we

annually adjust various aspects in response to changes in law, policies or priorities. The point of all of this, SBA, the OSDBUs, and the Scorecard process, is to encourage agencies to provide small businesses access to government prime contracts and subcontracts.

The Scorecard is typically released in the spring or summer, several months after conclusion of the fiscal year. There are several reasons for this. Agencies are given several months to validate their data in the Federal Procurement Data System. Large Prime Contractors and contracting officers are also given several months to enter and validate data in the electronic subcontract reporting system. At a point to be determined in February 2018, we will receive the official data for FY 2017 prime contracting. Subcontracting data will follow and we will use this information to calculate the agencies' performance for goaling purposes and for the number of contracts awarded to small businesses. While this is going on, the peer review process will be going on. At some point in the spring or summer of 2018, we will announce the FY 2017 scorecard performance.

As the Associate Administrator for Government Contracting and Business Development, I intend to use the SBPAC to increase collaboration between SBA and the OSDBU directors to serve our customers, the agencies that award contracts to small business concerns. Sharing best practices but also sharing opportunities so that we can increase access across agencies. Collaboration between the OSDBUs and SBA will enable us, as advocates for small business, to pivot and meet the challenges of the ever-changing marketplace. For example, as work shifts to category management, we need to shift our focus to ensure open and on-going small business access to these prime

contracts and to also focus on small business subcontracting, holding prime contractors accountable if they do not meet their subcontracting plan goals. With the help of the OSDBU community, we can work together to find solutions and ideas that will ensure and improve small business participation.

Thank you once again for your support of SBA and the small business community, and for the opportunity to appear before you today.