

Testimony of Chairman Sam Graves,
Committee on Small Business
Before the House Committee on Armed Services
National Defense Priorities from Members for the FY 2015 National Defense
Authorization Act
April 9, 2014

Thank you, Chairman McKeon, Ranking Member Smith, and members of the Committee.

Given that the federal government spends over half a trillion dollars each year through contracts, the federal procurement market is incredibly important for small businesses. Improving small business opportunities for federal contracts is a triple play – small businesses win more contracts; workers win as the small businesses create jobs; and taxpayers win because small businesses bring competition, innovation and lower prices to save the government money and improve the health of the industrial base.

Recognizing that this is a crucial area for small businesses, over the past three years, the Armed Services Committee and the Small Business Committee have worked together to reduce barriers to entry, create guidance that allows small businesses to compete and facilitates the Department of Defense (DoD) meeting the needs of the warfighter, and ensure that we have a strong small business industrial base. This cooperation has resulted in numerous provisions being enacted into law through the collaboration of our two Committees, with the support of

groups like the National Defense Industrial Association, the Associated General Contractors, the Professional Services Council, the American Institute of Architects, the Minority Business Roundtable, the U.S. Black Chamber, Women Impacting Public Policy, and many others. Further, these initiatives address issues raised in the 2012 report to the House Armed Services Committee by the Panel on Business Challenges in the Defense Industry; led by Mr. Shuster and Mr. Larsen.

Therefore, I am here today to support the inclusion of six small business contracting bills in this year's National Defense Authorization Act. Each of them ties directly to at least one of the Panel recommendations, and I will discuss each of them very briefly.

First, H.R. 4093, the Greater Opportunities for Small Business Act of 2014, a bill I introduced with Mr. Hanna and Mr. Murphy to increase contracting opportunities for small businesses. The bill does this by increasing the small business prime contracting goal from 23% to 25%, instituting a government-wide subcontracting goal of 40 percent, and requiring that prime contracts and subcontracts continue to be tracked separately. This bill is directly linked with Panel Recommendation 2.1, which states that Congress should consider increasing the DOD's small business prime contract and subcontract procurement goals, and increase accountability in the achievement of the procurement goals.

Panel Recommendation 3.7 recommended improving small business consideration in acquisition planning. Overtime, experts have found that certain types of contracts do not work well for certain types of procurements, especially if the contractors are small businesses. For example, the Corps of Engineers has found that reverse auctions for construction services put both the government and small businesses at risk. Likewise, they have found that using a one step design build process precludes small business participation. While these findings are incorporated into acquisition planning at the Corps, unfortunately not all agencies have learned from its expertise. Therefore, I introduced H.R. 2750, the Design Build Efficiency and Jobs Act of 2013, and Mr. Hanna introduced H.R. 2751, the Commonsense Construction Contracting Act of 2013, to implement these best practices government-wide and improve acquisition planning. H.R. 2750 is cosponsored by Mr. Connolly, Mr. Farenhold, Mr. Hanna, Ms. Herrera Beutler, Mr. Meadows, Ms. Meng, Mr. Miller, Mr. Mulvaney, Mr. Paulsen, Mr. Ross, Mr. Schrader, Mr. Terry, Mr. Tipton, and Mr. Welch. Ms. Meng and I cosponsored H.R. 2751.

Recommendation 2.9 says that Congress should ensure that work being reserved for small business performance is actually performed by small businesses. H.R. 2882, introduced by Mr. Coffman and cosponsored by Mr. Miller, Mr. Flores, Mr. Connolly, Mr. Hanna, Ms. Herrera Beutler, Mr. Murphy, Mr. Roe and myself attempts to address fraud, efficiency, and transparency in service-disabled veteran-owned small business and veteran-owned small business contracting. It does so by transferring responsibility for verification of companies from the Department of Veterans Affairs (VA) to the Small Business Administration, which has expertise in these areas. This should provide a smoother, more predictable process for our veterans while freeing up time and resources within VA to assist more veterans.

H.R. 776, the Security in Bonding Act, doesn't directly relate to the Panel's recommendations, but it is in keeping with the spirit of the recommendations. Throughout the Panel Report, there is support for advancing no-cost ideas that encourage greater small business participation in the industrial base. H.R. 776, introduced by Mr. Hanna, Mr. Collins, Mr. Luetkemeyer, Ms. Lujan Grisham, and myself, will make it easier for small businesses to get surety bonds, and thereby compete for construction contracts. Likewise, it helps ensure that small business subcontractors are paid, by insisting that the bonds accepted by the federal government meet commercially applicable standards.

Panel Recommendation 2.10 addresses one of the most important issues for small business – unjustified contract bundling. The Panel recommended that bundling processes be clarified and improved to better identify work likely to be suitable for small businesses and to improve transparency. H.R. 4094, the Contracting Data and Bundling Accountability Act of 2014, which I introduced with Ms. Chu, Mr. Connolly, Mr. Hanna, Ms. Meng, Mr. Mulvaney and Mr. Murphy, seeks to improve the quality of guidance available, as well as the transparency into contract bundling and consolidation. I want to emphasize that I think this is one of the most important areas where we can work if we want to help small businesses compete and save taxpayers money. I urge you to include it in the NDAA.

Finally, I would be remiss if I did not mention subcontracting. Recommendation 2.6 deals with tracking small businesses working as subcontractors. While there is not currently any legislation pending, I appreciate the Committee's efforts to work with the Small Business

Committee on reforms to the Comprehensive Subcontracting Test Program (CSP) to improve transparency into small businesses working as subcontractors, and I hope we will be able to agree upon a solution for inclusion in the National Defense Authorization Act.

With the exception of H.R. 2750, which was referred to the Committee on Oversight and Government Reform, and the CSP, which does not have associated legislation, each of the bills I've just discussed received bipartisan support at the Small Business Committee and passed by voice vote. Each supports the intentions, if not specific recommendations, of the Panel Report produced by this Committee. I am pleased that our two Committees are working so cooperatively, and hope that our legislative solutions for promoting competition by small firms in federal procurement will be incorporated into this year's National Defense Authorization Act.

Thank you. I'd be happy to answer any questions.