

Testimony of Chairman Richard Hanna,

Subcommittee on Contracting and Workforce, 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

Good morning. Chairman McKeon, Ranking Member Smith, and other members of the Committee, thank you for taking the time to listen to me today.

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.

However, there are a few areas where the federal government's policy on construction contracting hurts small businesses, taxpayers, and the agencies themselves. This is particularly important given the scope of federal construction contracting. Construction and architect & engineering (or, A&E) contracting represent about 1 in every 6 prime contract dollars awarded to small businesses. That was over \$17 billion in prime contracts in fiscal year 2012.

Therefore, as the Chairman of the Subcommittee on Contracting and the Workforce of the Small Business Committee, I've introduced two bills this Congress, and cosponsored a third bill, intended to bring some commonsense reform to this arena. I'll discuss them briefly, but want to ask you to include them in this year's National Defense Authorization Act.

The first bill, H.R. 776, the Security in Bonding Act of 2013, addresses surety bonding. 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. 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. This makes sure agencies get a quality construction job, that taxpayers get what they pay for, and that small businesses get paid.

The other two bills I want to discuss address the way we buy construction and A&E. The first is reverse auctions. While there is evidence that reverse auctions can be a good way to buy commodities, two studies by the Corps of Engineers demonstrated that it doesn't work for construction services contracts. Therefore, I introduced H.R. 2751, the Commonsense Construction Contracting Act of 2013. This bill takes the lessons learned by the Corps and applies them to other federal agencies.

Likewise, the Corps has also led the way on design-build contracting, implementing a two-phase approach to procurements. Given the cost of bidding for design build work, the two phase approach allows more small businesses to compete and saves the government money. Unfortunately, not all civilian agencies have learned from the Corps experience, so I have cosponsored H.R. 2750, the Design Build Efficiency and Jobs Act of 2013. This bill encourages other agencies to adopt the policies in place at the Corps.

While I encourage you to include all of the contracting bills recently marked up by the Small Business Committee, given the significance of construction contracting I hope that you will incorporate H.R. 776, H.R. 2750, and H.R. 2751 into this year's National Defense Authorization Act.

Thank you, and I would be happy to answer any questions.