

Chairman Carlos Curbelo
Subcommittee on Agriculture, Energy and Trade
Committee on Small Business
Before the Committee on Armed Services
Statement for April 14, 2015

Good morning, Chairman Thornberry, Ranking Member Smith, and Members of the Committee. I appreciate the opportunity to testify before you on the National Defense Authorization Act for Fiscal Year 2016 (FY16 NDAA). Like my colleagues, I'd like to thank the Chairman and Ranking Member for their leadership on procurement reform, and suggest an additional area that requires the Committee's attention.

Within Florida's 26th Congressional District, there are 649 companies registered as federal contractors, including 448 small businesses. Those small businesses won over \$61 million in federal prime contracts last year out of the \$440 billion spent on federal contracts. That is why I believe that those 448 companies, and the 289,000 small contractors nationwide could be doing more if we only took subcontracting more seriously.

Subcontracting is incredibly important for small businesses. Any large business receiving a contract for more than \$650,000 must tell the federal government how it will use small businesses as subcontractors. This ensures that we have a healthy industrial base at all levels. Additionally, since about 80 percent of federal contracts are awarded to large businesses, this is where the money is: in FY 2013, small businesses received \$86.7 billion in subcontracts, which is just about \$5 billion less than they received in prime contracts.

As part of the FY13 NDAA, this Committee enacted legislation to hold agency officials accountable for small business utilization. Specifically, when agencies were considering whether senior agency executives deserved bonuses, it required that the agencies consider the whether the agency met its contracting goals, and the role of that executive meeting those goals. Even though the importance of subcontracting was again acknowledged by this Committee as part of the FY14 NDAA, when it included language drafted by Congressman Graves to count lower tier subcontractors towards subcontracting goals, agencies are disregarding Congressional intent.

When agencies implemented the FY13 language on goaling, they took the term "goals" to mean prime contract goals, ignoring the role of subcontracting. As a consequence, prime contracting dollars have increased, but the percentage of subcontract dollars awarded to small businesses has been falling, and is down 2.5% since 2010. Likewise, agencies have not even started implementing the FY14 language. This means fewer small suppliers, manufacturers, and innovators. Subcontracting is an important entry point for new federal contractors, so if we have fewer subcontractors today, we will have fewer prime contractors tomorrow.

For these reasons, I introduced H.R. 1386, the Small Entrepreneur Subcontracting Opportunities Act of 2015' or the 'SESO Act' with Mr. Chabot, Mr. Gibson and Mr. Bost. SESO requires that agencies look at subcontracting accomplishments as well as prime contracting accomplishments

when evaluating performance of senior executives. SESO was included in H.R. 1481, the Small Contractors Improve Competition Act of 2015, and passed Committee on March 25 with bipartisan support.

In Spanish, the word “seso” means brains, and I hope you will agree with me that including the SESO Act and the other provisions in H.R. 1481 in the FY16 NDAA is the smart thing to do. Thank you again for your time, and I’d be happy to answer any questions.