

**Statement of Steve Chabot,  
Chairman, Committee on Small Business  
Before the Committee on Armed Services of the House of Representatives  
On the FY 2018 National Defense Authorization Act  
April 27, 2017**

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 2018 (FY18 NDAA). Let me begin by thanking the Committee for its longstanding collaboration with the Small Business Committee. It has been my privilege to serve on the Small Business Committee (SBC) for over 20 years and during this time I've enjoyed seeing this relationship develop. The successful passage of previous NDAA's are victories for our national security, for our men and women in uniform and for our small business industrial base. My testimony today will address bipartisan legislation marked up by SBC last year and will describe how it continues to complement the work of the House Armed Services Committee (HASC).

**I. Introduction**

For the past several years, the SBC and its subcommittees have held dozens of hearings on issues affecting small contractors. These hearings have focused on the alarming fact that the number of small firms registered to do business with the federal government continues to decline. As Chairman Thornberry has said, "It's getting harder and harder especially for small businesses to do business with the Department of Defense." This is why the Committee has, on a bipartisan basis, been focused on improving the defense acquisitions process.<sup>1</sup> Reversing this decline in small businesses serving the Department of Defense is a necessary part of the solution.

Nine members of the Small Business Committee introduced contracting and entrepreneurial development bills this year. Working closely with our colleagues, Ranking Member Nydia Velázquez and I collected these solid, common sense reforms, plus many other bipartisan legislative provisions, and introduced H.R. 1773, the Clarity for America's Small Contractors Act of 2017, and H.R. 1774, Developing the Next Generation of Small Businesses Act. The SBC marked up these provisions that strengthen the industrial base in a bipartisan fashion last year. These bills not only reflect my priorities as Chairman, but those of my fellow Committee Members as well.

H.R. 1773 helps small contractors compete in three ways. First, it modernizes the Small Business Act to ensure that the language used is clear and consistent across federal procurement programs – DoD contracting officers shouldn't have to learn a dictionary's worth of new jargon just to work with a small business. Second, it strengthens the small business advocates within the Small Business Administration (SBA) who routinely work with DoD contracts by promoting competition and make sure the laws on the books, including the NDAA, are followed. Finally, the bill implements common sense reforms to ensure transparency and accountability by

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<sup>1</sup> Scott Maucione, "Small business, hazing top NDAA wishlist for lawmakers" Federal News Radio (March 1, 2016) available at <https://federalnewsradio.com/defense/2016/03/small-business-hazing-top-ndaa-wishlist-lawmakers/>.

requiring that important information be provided that clearly shows where taxpayer dollars are being spent on which small business programs. These provisions will help enable greater small business participation. I'll now discuss each of these themes in greater detail.

## **II. Modernizing the Small Business Act**

Title I of H.R. 1773 focuses on improving transparency and clarity for small businesses and also benefits DoD contracting officers, policymakers, and program managers.

### **a. Sec. 101. Improving reporting on small business goals**

This first section is based on H.R. 1693, the Improving Contract Procurement for Small Businesses through More Accurate Reporting Act of 2017, introduced by Rep. Yvette Clarke and Rep. Brian Fitzpatrick. Section 101 amends section 15(h) of the Act to increase transparency in goaling.<sup>2</sup> The Small Business Act requires SBA to assist agencies in setting goals for the award of prime contracts and subcontracts to small businesses and various subcategories of small businesses, and report on the success of meeting those goals. This section requires that the SBA begin reporting two new pieces of information for each goal: (1) the value of contracts credited to each goal if the contract is being performed by a company that is no longer small or no longer qualifies for that procurement program; and (2) the value of contracts credited to each small business goal if a set aside or sole source program for a different goal was used for the award. These two pieces of information should prove invaluable. The first will allow the SBC and DoD's Office of Manufacturing and Industrial Base Policy (MIBP) to track small business success stories. This will give us a better picture of how these programs promote growth and sustainability, and will have the added benefit of making it easier to catch fraud and abuse of the procurement program. The second change will give Congress better insight into which programs are most successful and which are failing to achieve their objectives. Currently, the SBA gives credit to contracts awarded to participants pursuant to one certification, such as the 8(a) certification, and double counts credit towards any other certifications that the participant holds, such as a HUBZone certification and a women-owned small business certification. As each program has different objectives and different requirements, it is unclear as to which objectives are being realized. Section 101 will address this confusion.

### **b. Sec. 102. Uniformity in procurement terminology**

This second section is based on H.R. 1640, the Unifying Small Business Terminology Act of 2017, introduced by Ranking Member Nydia Velázquez. This provision amends portions of the Small Business Act so that the same terms are given the same meaning in the Small Business Act as they are given in Titles 10 and 41 of the United States Code. SBA has already begun using the updated terminology in its own regulations when referring to procurement rules, so this

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<sup>2</sup> For more information on the SBC's work on the goaling program and the basis for this legislative provision, please see the SBC Memorandum *Continuing Challenges for Small Contractors* (2015); available at [http://smbiz.house.gov/uploadedfiles/11-18-2015\\_hearing\\_memo.pdf](http://smbiz.house.gov/uploadedfiles/11-18-2015_hearing_memo.pdf).

harmonization will not change the implementation of any programs. It will, however, greatly reduce confusion and provide much-needed clarity.

### **III. Clarifying the Roles of Small Business Advocates**

Small business advocates play a critical role in the development of a robust community of small business contractors. Small business advocates within the SBA include the Commercial Market Representatives (CMRs) and the Business Opportunity Specialists (BOSs). Unfortunately, the statutory roles and responsibilities of these long standing programs have not always been adequately addressed or modernized to keep pace with procurement reform. Title II of H.R. 1773 addresses these issues.

#### **a. Sec. 201. Responsibilities of Commercial Market Representatives**

This section is based on H.R. 1597, the Commercial Market Representatives Clarification Act of 2017, introduced by Rep. David Brat, Rep. Steve Knight, and Rep. Stephanie Murphy.<sup>3</sup> It amends section 4(h) of the Small Business Act to provide a clear definition of the CMR program and enumerate the CMR's principle duties. Currently, the Act references the CMR and provides educational requirements, but does not explain the actual role of the CMR. SBA's Standard Operating Procedures have not kept pace with statutory changes, so they also fail to explain how the CMR should help small businesses compete for subcontracts. These changes will prioritize the key functions already performed by the CMR to promote a healthy industrial supplier base.

#### **b. Sec. 202. Responsibilities of the Business Opportunity Specialists**

This section is based on H.R. 1641, the Improving Small Business Advocacy Act of 2017, introduced by Rep. Maxine Waters and Ranking Member Nydia Velázquez.<sup>4</sup> BOS's are responsible for overseeing the implementation of the 8(a) contracting program. BOS's are the government's defense against waste, fraud, and abuse in these programs, and SBA's unwillingness to properly staff and train the BOS has led to millions of dollars in 8(a) contracts being awarded to companies that are not qualified 8(a) firms.<sup>5</sup> Section 205 will put the proper controls and oversight on this program to ensure that program participants are given the assistance they are promised while meeting the needs of taxpayers, contracting officers, and the warfighter.

### **IV. Other Issues**

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<sup>3</sup> For more information on the issue of the CMR job description, please see SBC Memorandum *Supporting Success: Empowering Small Business Advocates* 3 (2015) available at [http://smbiz.house.gov/uploadedfiles/11-18-2015\\_hearing\\_memo.pdf](http://smbiz.house.gov/uploadedfiles/11-18-2015_hearing_memo.pdf).

<sup>4</sup> For more information on the issue of the BOS job description, please see SBC Memorandum *Supporting Success: Empowering Small Business Advocates* 3-4 (2015), available at [http://smbiz.house.gov/uploadedfiles/11-18-2015\\_hearing\\_memo.pdf](http://smbiz.house.gov/uploadedfiles/11-18-2015_hearing_memo.pdf).

<sup>5</sup> *Id.*

In addition to the provisions included in H.R. 1773, the SBC is working to reauthorize the entrepreneurial development programs within the SBA through H.R. 1774, which I introduced and Ranking Member Nydia Velázquez cosponsored. The entrepreneurial development programs further the important work being done by the House Armed Services Committee on procurement reform by ensuring that SBA is effectively introducing the next generation of entrepreneurs to the opportunities afforded by federal procurement contracts. Contained within H.R. 1774, which strengthens and modernizes SBA's entrepreneurial resources, are three Titles. Title I strengthens the data collection efforts of Small Business Development Centers. Title II reauthorizes the Women's Business Centers program for four years at \$21.75 million per year and contains accreditation process language to ensure uniformity among the Centers across the country. Title III reauthorizes the SCORE program for two years at \$10.5 million per year and also requires an enhanced online utilization effort by the program and a requirement for a strategic plan before future funding increases are considered. These provisions which strengthen the industrial base were marked up by the SBC in a bipartisan fashion last year.

## **V. Conclusion**

I know we agree that our nation needs a strong industrial base which includes small businesses: it is fundamental to the health and defense of our nation as a whole. I look forward to working with this Committee to ensure that small businesses continue to provide the Department of Defense and the federal government with innovative and competitive solutions to support critical programs. I'd be happy to answer any questions.