

Statement of the Hon. Nydia Velázquez
Member Day
for National Defense Authorization Act for FY2019

Thank you, Chairman Thornberry, Ranking Member Smith, and Members of this Committee for allowing me to come before you today to testify on the FY2019 National Defense Authorization Act. I am honored to advance bipartisan legislation that will benefit small businesses alongside my colleague Chairman Chabot and support all the bills in the Small Business Committee package equally. I will highlight the Democratic bills in the package as they touch on a wide spectrum of small business needs.

We are all aware of the devastation last year's hurricanes caused to Puerto Rico. But one thing is clear – if we are to restore the quality of life in Puerto Rico, small businesses will be central to the equation.

I am very proud of Puerto Rico -- not only because it is where I was born, but because of the resilience of its people in the face of Hurricane's devastation and longstanding economic challenges. An estimated 20 percent of the island's small businesses remain closed since Maria. 60 percent of households' requests for federal assistance are denied. Nearly 200,000 Puerto Ricans have already moved to the mainland.

That is why I appreciate Chairman Chabot bringing H.R. 5178, the Puerto Rico Small Business Contracting Assistance Act before the Small Business Committee in our March markup and glad to report in passed out of Committee with bipartisan approval.

This bill takes contracting provisions from the larger package and strengthens them to target assistance to small Puerto Rican contractors. There is currently a relatively small number of federal contracts that are performed in Puerto Rico. And of the small number of federal

contracts that are performed in Puerto Rico, a substantial percentage of those contracts – about 40 percent – are performed by firms outside of Puerto Rico.

In fact, the total awards to Puerto Rican small businesses declined from about \$426 million in FY 2014 to about \$342 million in FY 2015. One reason for those poor numbers is a lack of education and training to potential contractors. In 2016, the Federal Reserve Bank of New York found that 19 percent of Puerto Rican small businesses cited a need for training on federal government contracts.

My bill aims to increase contracting by offering incentives like granting agencies the ability to double the value of contract awards to Puerto Rican small business concerns when counting their small business prime contracting goal. It also provides more training opportunities for small firms who want to participate in the federal marketplace.

We must remember that as citizens of the United States, Puerto Ricans have fought, shed blood, and given their lives in nearly every major American war. We owe it to them to help build Puerto Rico back better than ever before. And, this bill takes one step in that direction. Another bill that will assist these business owners is H.R. 1774, the Developing the Next Generation of Small Businesses Act of 2017.

The SBA administers a portfolio of Entrepreneurial Development programs, including Small Business Development Centers, Women’s Business Centers, and the Service Corps of Retired Executives or SCORE. These initiatives provide aspiring entrepreneurs and existing businesses with counseling, training, technical assistance, and mentorship. This network helps companies at all stages of development overcome challenges.

The agency’s network of Small Business Development Centers – or SBDCs – is one such program. SBDCs operate in nearly 1,000 locations across the country and harnesses local

community resources. In a single year, this initiative has helped more than 13,000 entrepreneurs launch new businesses. They have also advised nearly 200,000 clients, provided training sessions for over 260,000 attendees, and helped clients obtain \$4.6 billion in financing. Clearly, SBDCs are a vital part of our nation's entrepreneurial ecosystem.

The SBA has also undertaken efforts to connect younger entrepreneurs with more experienced businessmen and women through the SCORE program. SCORE has grown to become one of the federal government's largest volunteer business mentoring programs, with over 11,000 business professionals at over 320 chapters nationwide. By offering advice from real world professionals, SCORE is helping many business owners within all categories of the entrepreneurial community.

Because small business owners come from all walks of life, the SBA has initiatives targeted at specific demographic groups. One of those programs is the Women's Business Centers—or WBCs. They provide in-depth counseling, training, and mentoring to small firms. In FY 2016, over 106 WBCs reached 140,000 clients and helped 700 new businesses get started.

With respect to each of these programs, it is vital that taxpayer resources are being used wisely and to maximum effect. I think we can all agree that these programs offer our nation's job creators vital tools to help our economy grow.

That is why Chairman Chabot and I, along with the other Members of the Small Business Committee, came together to author H.R. 1774. This bipartisan bill streamlines these programs and makes them more effective.

This bill amends the Small Business Act by eliminating unproven pilot programs and requiring clearer metrics for data collection for SBDCs. It also clarifies rules allowing for fee collection, marketing, and privacy requirements for SBDCs.

H.R. 1774 also reauthorizes the SCORE program for FY2018-FY2019 and ensures that the SCORE program and each of its chapters operates more effectively in rural areas, economically disadvantaged and traditionally underserved communities. They will also be required to develop and implement plans to use electronic and web-based initiatives and the development of new skills by participating volunteers.

Even though female entrepreneurship is on the rise, there remain significant challenges, making WBCs even more critical. That is why this bill revises the duties of the Office of Women's Business Ownership to assist women entrepreneurs to start, grow, and compete in global markets. It also directs the SBA to establish standards for a program to accredit eligible entities receiving a grant to operate one or more WBCs.

Small businesses are the backbone of the American economy and we should provide our entrepreneurs with the resources they need to succeed – and that is what H.R. 1774 does. But we also must encourage more innovative firms to start-up as they are the present and future of job creation.

Innovation is an indispensable element driving economic growth and ensuring America's competitive edge in the global marketplace. A 2016 joint report by the United States Patent and Trademark Office or USPTO and the Economics and Statistics Administration found that IP industries support an estimated 45 million jobs – about 30 percent of all jobs – and contributed over \$6 trillion – 38.2 percent – of U.S. gross domestic product.

Through legal protections such as copyrights, patents, and trademarks, small innovative firms and entrepreneurs reap extraordinary benefits. Small firms with IP rights earn 32 percent more in revenue, on average, per employee when compared to their counterparts without IP rights.

While small firms make up a vast majority of patent holders, they are at particular risk of having their property pirated. Many small innovators who should have IP rights are at an acute disadvantage because they lack the resources, expertise, and knowledge to obtain, monitor, and enforce their IP rights.

The USPTO reported that just 15 percent of small businesses that conduct overseas business understand they need to file for IP protection abroad. H.R. 2655 corrects this by creating a partnership between the two agencies best suited to help these innovators – the SBA and the USPTO.

By leveraging existing intellectual property education and training programs and utilizing the immense network of small business development centers, small business will have all the resources to better protect their interests both domestically and internationally. I applaud Representative Evans for recognizing the problem -- and working to advance the interest of our nation's small businesses.

As we contemplate our country's infrastructure, we must protect the interest of the small businesses at the heart of building our roads and bridges. The Miller Act is a statute that was put in place for protection: protection for subcontractors through payment bond and protection for US taxpayers through performance bonds. Many subcontractors and suppliers on federal projects are small businesses. These small businesses often find that their only avenue into the federal procurement arena is as subcontractors and suppliers. Surety bonds, in the form of payment bonds, ensure that they get properly paid, whether the general contractor on the project pays them or not. Such protections cannot be allowed to be compromised as a result of periodic adjustments for inflation.

Each adjustment, which may occur every five years, in turn means that there is an increase in the threshold so that many more federal subcontractors and suppliers perform work on federal projects without the protection of payment bonds. Performance bonds protect the taxpayer from loss if the contractor on a federal project defaults. Periodic adjustments to address inflation should not be the reason to decrease the protection provided by performance bonds to the US taxpayers. H.R. 4486 amends 41 USC §1908 (b)(2)(B) to provide payment protections afforded small businesses performing work on federal construction projects by exempting construction contracts that must be bonded under the Miller Act (40 USC 3131, 3132, 3133, and 3134) from periodic inflation.

Congress recognized that certain protections should not be subject to this periodic adjustment. Specifically, Davis Bacon is excluded from the application of this periodic review to protect the payment of wages to laborers on federal projects. The same basis applies to excluding the application to surety bonds to protect payments to subcontractors and suppliers performing work on federal construction projects.

After summarizing all these bipartisan bills, I strongly encourage the complete Small Business package's inclusion in the 2019 NDAA, including those Chairman Chabot highlighted today.

I want to thank you all again for allowing me to testify and I urge the inclusion of all bills presented to the House Armed Services Committee to bolster the presence and economic health of our country's small businesses.