

**MARKUP OF COMMITTEE VIEWS AND ESTIMATES
ON THE SMALL BUSINESS ADMINISTRATION
FY2013 BUDGET, H.R. 3850, H.R. 3851, H.R.
4121, H.R. 3893, H.R. 3980, AND H.R. 4118**

HEARING
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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WEDNESDAY, MARCH 7, 2012

HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 1 p.m., in room 2360, Rayburn House Office Building. Hon. Sam Graves (chairman of the Committee) presiding.

Present: Representatives Graves, West, Herrera Beutler, Ellmers, Barlett, Hanna, Schilling, Keating, Owens, Peters, Bartletta, Velázquez, Schrader, Critz, Clarke, Chu, Cicilline, Richmond, Hahn, Mulvaney, Tipton, Coffman, Walsh, King.

Chairman GRAVES. Good afternoon, everyone. I call this Small Business Committee meeting to order.

Today our first order of business is to consider our views on the Small Business Administration's budget for fiscal year 2013. After considering the views and estimates, we will move into marking up legislation on improving the environment for small businesses interested in federal contracting.

The president has often talked about the importance of small business to the American economy. Despite this, the administration could provide no one to defend the budget in a timely fashion so views and estimates could be submitted to the Committee on the budget by March 9, 2012.

The president held a press conference in which he touted the need to restructure services offered by the government to help small businesses. Of course, this presumes that the best way to help small businesses is for the government to offer services. Instead, the best way, I think, to help small businesses is to revise the tax code, reduce unnecessary regulations, provide certainty with respect to health care costs, and lower the deficit. The budget certainly does none of these things.

Given the significant debt owed by the federal government, the budget fails to take the opportunity to provide a roadmap for making the hard choices needed to reduce spending on small business programs without undercutting the capacity to provide the most necessary services to assist the growth of small businesses. For example, the budget requests an additional \$10 million for entrepreneurial outreach and education on programs not authorized by

Congress or even examined by Congress. Even if the goals of such programs are worthy, it is irresponsible for the SBA to make such requests given the existing budget situation.

Nor does the budget provide a roadmap on efforts needed to reduce spending by the SBA. The largest increase in the SBA's budget is for subsidies needed to operate the guaranteed loan programs so small businesses can obtain scarce capital. A key component in determining the amount needed is how much the government can expect to recover if the loan defaults. The SBA provides no path to improve such recoveries or plans for revamping the computer systems that manage these loans.

Even though the president did not offer a budget which made hard choices and no one from the SBA was available to provide insight into the budget, the views and estimates before us today do make hard choices and provide a roadmap for a leaner but still robust agency that can provide necessary services to small businesses.

The views and estimates letter recommends eliminating a variety of duplicative programs at the SBA. Even with these cuts, the SBA will necessarily face an increase in their budget.

The budgetary increases stem entirely from the costs of operating the SBA's conventional and disaster lending programs. Yet, the president's budget made no recommendations on processes that might reduce such costs. The views and estimates letter before us provides such a path through ways to increase recoveries after defaults and requiring that programs which are supposed to operate without any appropriation actually do so. Additionally, the letter before us requests that no appropriations be allocated for pilot or other initiatives until the SBA has a modern, fully functional loan management accounting system.

Despite these cuts, the core functions of the SBA to make capital available, provide advice, and increase utilization of small businesses as federal government contractors are preserved. The sensible approach outlined in the views and estimates letter will represent this Committee's effort at reducing the federal spending.

And now I am very happy to recognize the ranking member for her opening remarks.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Today's consideration of the Committee's views and estimate on the SBA budget is occurring as the economy is showing increasingly promising signs of a recovery. GDP, growth, surplus, expectations last quarter rose 3 percent, the fastest pace since early 2010. And other positive signs are everywhere. American factory output grew at the fastest rate in five years, while consumer confidence hit a one-year high. All of this good news is finally translating into job gains as employers added one million workers to payrolls since July, leading to the biggest decline in the unemployment rate since 1984. At 8.3 percent, unemployment is the lowest in almost three years.

But the truth of the matter is that much more needs to be done on the job creation front and this is where SBA plays a crucial role. The agency's near-term blueprint for accomplishing this goal is its fiscal year 2013 budget request of \$1.1 billion. The most notable aspect of the summation is the rising credit subsidy costs for the 7A

and 504 programs. With the Federal Reserve reporting that lending standards have still not recovered to pre-recession levels, it remains difficult for many businesses to access capital. As a result, SBA lending programs are as important as ever and these costs, while rising are absolutely necessary and appropriate to preserve this source of capital.

Unfortunately, to help defray these additional expenses, the agency imposes a 10 percent across-the-board cut on proven programs that actually generate taxable revenue and pay for themselves, all the while continuing to seek funding for unauthorized initiatives. Programs like the Small Business Development Centers are successful and not only creating new businesses but also the jobs that come with them. While we understand the need to cut programs, it makes little sense to reduce the very programs that work, while increasing spending on programs that are untested. For instance, the SBA chooses to spend on countless, unauthorized initiatives, including 6 million on the Business USA website; 3 million on clusters; and another 7 million for a new veteran effort. There are at least six other such unauthorized programs included in the SBA's fiscal year 2013 budget. In times of tight budgets, the agency should not be cutting results-oriented programs like SBDCs and then proposing to spend millions on ideas that have not been vetted by Congress, nor objectively reviewed.

With regard to the majority of these views and estimates letter, I support several of its provisions. It recommends the elimination of many of the aforementioned unauthorized programs. It is right to terminate them as other established programs show long-term benefits to the taxpayer. However, there are some areas of concern. By proposing to eliminate funding for the Veterans Business Outreach Center program, it is limiting the ability of the 190,000 veterans of the wars in Iraq and Afghanistan to start their own businesses. These men and women have unique skills and needs which justify the veterans' program approach. Many of these centers are run by veterans themselves which made them an appropriate means to provide training to would-be veteran entrepreneurs.

In addition, while the majority talks about its concerns that the SBA is too concentrated in Washington, D.C., it fails to provide concrete steps for distributing personnel. It simply proposes to reduce both field staff and headquarters staff alike which does not necessarily lead to a more diffused SBA. Instead, the agency's personnel structure should be evaluated and steps taken to ensure that all areas of the country have access to the SBA resources they need.

As we all know, this agreement and priorities in the agency's annual budget is not unusual. Although Chairman Graves and I do not fully agree on our views, it is rather obvious that we both believe more work needs to be done at the SBA in setting its priorities. Put simply, continually spending taxpayer money on priorities not approved by Congress is not a good use of resources.

While the recent downturn required many business owners to re-imagine their company to stay competitive, the SBA should be taking similar steps. This means recommitting itself to existing programs that work while reducing waste and fraud and other key initiatives. Doing so will bring tangible benefits to small businesses

while also making sure that taxpayers are given a positive return on their investment.

And with that I yield back.

Chairman GRAVES. Are there any other members who wish to be recognized for a statement on views and estimates?

The Committee now moves to consideration of the views and estimates letter. The clerk will read the title of the document.

The CLERK. Views and estimate of the Committee on Small Business on matters to be set forth in the concurrent resolution of the budget for fiscal year 2013.

Chairman GRAVES. Without objection, the views and estimates letter is considered as read and open for amendment in its entirety. Does any member seek recognition for the purpose of offering an amendment on views and estimates?

Seeing none, the question on adopting the views and estimates letter, all those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed say no.

In the opinion of the chair the ayes have it. The views and estimates are agreed to.

Ms. VELÁZQUEZ. Mr. Chairman.

Chairman GRAVES. I recognize ranking member.

Ms. VELÁZQUEZ. I would like to give notice pursuant to House Rule 11, clause 21, that the Committee's democrats will be finding additional views with the Committee on Budget on the SBA's fiscal year 2013 budget submission.

Chairman GRAVES. Absolutely. Without objection that is so ordered. Without objection the Committee is authorized to correct punctuation and to make other necessary technical adjustments on the document considered today.

All right. We now move to the markup of contracting legislation. Given that the federal government spends over half a trillion dollars each year through contracts, this is an incredibly important market 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. Recognizing that this is a crucial area for small businesses over the past year, the Committee has held 10 hearings or subcommittee hearings on federal procurement issues. These have resulted in eight bills introduced by the majority, and this package has been supported by over 20 trade associations, such as the Association of General Contractors, Minority Business Roundtable, the Chamber of Commerce, the Financial Services Roundtable, National Association of Home Builders, Mason Contractors Association, the Sheet Metal and Air Conditioning Contractors, National Association of Surety Bond Producers, National Association of Small Disadvantaged Businesses, the U.S. Black Chamber, the National Women Business Owners' Corporation, Women Impacting Public Policy, and American Institutes of Architects. And many, many others.

Additionally, our minority just introduced three contracting bills bringing us to a total of 11 contracting bills which we are committed to marking up. Now, that is a testament to the bipartisan

nature I believe of this Small Business Committee and to the issues that are obviously before us.

Today we are going to mark up the first six of these bills. And while we discuss each bill briefly before we mark it up, I want to emphasize how crucial it is that we have bipartisan contracting reform that is going to improve opportunities for small businesses.

I look forward to working with all of you today to move these bills one step closer to law, and I now recognize Ranking Member Velázquez for her opening statement.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

With the federal marketplace accounting for half a billion dollars annually, procurement policy can be a powerful instrument for job creation. One of the most effective things we can do in this area is ensure small businesses win their fair share of contracts and that more small businesses can get involved in the process. When large corporations win contracts, their existing workforce can take on the new work. However, when entrepreneurs are hired by the federal government, they bring on new employees, creating opportunities for working families. Reforming the procurement process can therefore help us create badly needed jobs without having to spend additional taxpayer dollars. After all, these expenditures will already be made. The question is whether small firms can compete for them fairly or not.

The fact is the federal government's record omitting small business contracting goals has been disappointing at best. The government as a whole consistently fails to ensure 23 percent of its contracting dollars go to small businesses and agencies regularly fail to meet their individual goals, not only for small businesses but other disadvantaged entrepreneurs like veterans, women, and minorities. Improving this process and empowering more small firms to grow with the government as a customer can be vital to not only the small business sector but our economy as a whole.

I thank the Chairman for working with us on this legislation and I yield back the balance of my time.

Chairman GRAVES. Thank you very much. Are there any other members who wish to be recognized for the purpose of an opening statement?

Seeing none we will move forward with H.R. 3850. We will now consider—in fact, we will go through all six of these contracting bills in the order listed in the notice. And copies of each of the bills have been provided.

The first item is 3850, Government Efficiency through Small Business Contracting Act of 2012. I introduced this bill with Congressman Owens and Congressman Schilling to increase contracting opportunities for small businesses. This bill does this by increasing the businesses' prime contracting goal from 23 percent to 25 percent, which will result in approximately 11 billion more in prime contracts for small businesses each year. The bill strengthens subcontracting opportunities by instituting a statutory 40 percent goal when there was previously only Administrative Goal 35.9. The bill also clarifies how contracts should be counted for the purposes of the goal and does something small businesses have been clamoring for—holds agencies accountable for meeting the goal. Specifically it says that no senior executive at any agency

is eligible for a bonus if the agency does not meet its small business goals.

The changes made by this legislation will motivate agencies to meet their obligations to small businesses and improve contracting to the benefit of taxpayers and small businesses alike. I would urge the Committee to pass this important piece of legislation. I now recognize Ranking Member Velázquez for her opening comments on 3850.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

The legislation before us makes significant changes to the federal small business governing program. This effort originally established in the Business Opportunity Development Reform Act of 1988 requires the government to attempt to annually achieve a certain goal for contracts awarded to small businesses. Unfortunately, since the goal was raised to 23 percent in the Small Business Reauthorization of 1997, it has not been achieved. The reasons for this are many. Agencies lack the tools and resources to effectively channel many contracts to small firms. For instance, only last year did we finally see a women-owned procurement program implemented even though women received less than 4 percent of contracting dollars.

Compounding this is an understaffed acquisition workforce including a lack of PCRs and CMRs who traditionally focus on increasing opportunity for small businesses but are clearly undermanned. The result is that contract consolidations continue to occur, leaving smaller companies locked out of some of the most lucrative opportunities. In addition, it appears that what was once a goal may have effectively become a cap on small business procurement participation. Fourteen years is a long time to not achieve a reasonable goal and even the staunchest small business advocates have to wonder if a goal is leading to agency underperformance in this area.

Other problems plague the program, including that the performance data and reporting mechanisms are so error filled that some years the golden grapes have been essentially meaningless. As a result of all these concerns, one has to question whether goals are helping or hurting our own goal of increasing small business participation in the federal procurement marketplace.

While the legislation certainly attempts to get more contracts in the hands of small businesses, raising goals without providing agencies with the tools and resources necessary to achieve them may well fall short. Without such assistance as well as comprehensive procurement reforms, I am afraid that we will simply be back in this very room contemplating why agencies are still unable to achieve their goals. The truth is that small businesses need more than just goals to succeed in the federal marketplace and I look forward to working toward that goal in the future.

Thank you, Mr. Chairman. I yield back.

Chairman GRAVES. Are there any other members that wish to be recognized for a statement on 3850?

Seeing none, the Committee now moves to consideration of H.R. 3850. The clerk will report the title of the bill.

The CLERK. H.R. 3850. To Amend the Small Business Act with Respect to Goals for Procurement Contracts Awarded to Small Business Contractors and For Other Purposes.

Chairman GRAVES. Without objection, H.R. 3850 is considered as read and open for amendment at this point. Does anyone seek to be recognized? I think we are going to start with Congresswoman Hahn.

Ms. HAHN. Thank you, Chairman Graves, for working with me on this important amendment.

My amendment to H.R. 3850, the Government Efficiency through Small Business Contracting Act of 2012 is a simple step towards ensuring transparency in government. It requires the congressionally mandated SBA report to Congress and the president also be made available to the public by publishing the report online. This simple sentence will make a world of difference in creating transparency and accountability and the SBA's mandate to give a bite at federal contracting dollars to the true backbone of the American economy, the real job creators, American small businesses. The American people deserve to see how we are empowering small businesses, and they should not have to go any further than their computer to see whether or not we are living up to these goals. Thank you.

Chairman GRAVES. We are kind of going a little backwards but will the clerk please read the amendment?

The CLERK. Amendment 1 to H.R. 3850 offered by Ms. Hahn of California.

Chairman GRAVES. Without objection the amendment is considered as read and Ms. Hahn has adequately explained her amendment. Does anyone else wish to be heard on the amendment?

And with that the gentlelady's amendment makes sense to me. The report on Small Business Contracting should be made available online so all small businesses and taxpayers can see it. So I support the amendment.

Ms. HAHN. Thank you.

Chairman GRAVES. If there is no other further discussion on the lady's amendment being offered, all those—we will just open it up. That is amendment No. 1 sponsored by Ms. Hahn. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

In the opinion of the chair, the ayes have it. The amendment is agreed to.

The next amendment would be Representative Chu.

Ms. CHU. Mr. Chairman. Thank you. I have Amendment No. 2. And I want to thank you for including a robust reporting section on contracts awarded to small businesses.

Chairman GRAVES. Just bring it up and we will let the amendment be reported and then you will have five minutes.

The CLERK. Amendment 2 to H.R. 3850 offered by Ms. Chu of California.

Chairman GRAVES. Without objection the amendment is considered as read. The member is recognized for five minutes. Thank you.

Ms. CHU. Well, Mr. Chairman, again, thank you for the robust reporting section on contracts awarded to small business.

Until we have a good idea of how agencies are conducting their contract activities and an accurate report on who is getting the contracts, we cannot make the right changes to ensure that small businesses participate in federal contracting. I have a small and straightforward transparency amendment to offer under the reporting section. My amendment seeks to gain further transparency in the reporting process by requiring data on why the firms are considered socially and economically disadvantaged. The current data does not give enough detail about what firms are actually securing the contracts. By collecting this data we can learn more about the firms that are currently receiving federal contracts. This amendment simply says that the reports by the administrator will also include the reason that the certification of the small business is considered socially and economically disadvantaged. Thus, we will get a better picture of the small and disadvantaged business category.

Again, this amendment is simple and straightforward and I ask for the Committee's support.

Chairman GRAVES. Does anyone else wish to be heard on the amendment?

With that, when H.R. 3850 was drafted it sought to increase transparency into who is receiving contracts and how they were receiving those contracts. The gentlelady's amendment furthers that goal giving us additional insight into which companies are winning government contracts, and I do support the amendment.

Ms. VELÁZQUEZ. Mr. Chairman?

Chairman GRAVES. Yes.

Ms. VELÁZQUEZ. If I may.

Chairman GRAVES. Absolutely.

Ms. VELÁZQUEZ. I will encourage my colleagues to support this straightforward common sense amendment. As we have seen with prior reports from GAO, many businesses that are not qualified as small businesses are getting contracts and this is a way to add another layer of transparency.

Chairman GRAVES. So with that the question is on the amendment offered by Ms. Chu. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The ayes appear to have it. The ayes do have it. It is the opinion of the chair that the amendment is agreed to.

Let us see here. The next amendment would be Representative Peters. Clerk, would you please read the amendment?

The CLERK. Amendment 3 to H.R. 3850 offered by Mr. Peters of Michigan.

Chairman GRAVES. Without objection the amendment is considered as read. The member is recognized for five minutes.

Mr. PETERS. Thank you, Mr. Chairman.

I am certainly pleased that H.R. 3850, the Small Business Contracting Act, raises the small businesses contracting goal from 23 to 25 percent. This is certainly going to mean a substantial amount of new business for small businesses. In fact, probably around \$11 billion worth, which is an incredible accomplishment. However, my amendment would simply increase the government-wide goal for

participation by small businesses that are owned and controlled by socially and economically disadvantaged individuals. Currently set at 5 percent, it would move it up to 7½ percent. While I recognize this appears to be a significant increase, it is one that is certainly very achievable. In fact, the SBA has reported that prime contracting achievement of almost 8 percent in 2010 and it was above 7½ percent in 2009. So this amendment will simply ensure that the government continues its recent successes in contracting with small businesses that are owned by socially or economically disadvantaged folks. Meeting this goal for the socially and economically disadvantages small businesses will certainly help us reach the overall goal of 25 percent. Certainly, the bar of 5 percent has been met. It has been achieved and actually exceeded. This amendment will make sure that we do not backslide from our current levels which are over 7½ percent and I would urge my colleagues to put this benchmark in place having already achieved the other one.

Thank you, Mr. Chairman.

Chairman GRAVES. Does any other member wish to be recognized on the amendment?

Ms. HAHN. Excellent. Excellent amendment.

Mr. COFFMAN. Mr. Chairman, how do you define socially disadvantaged? I think there would probably be people that would place me in that category. How do you define that? Mr. Peters?

Chairman GRAVES. The gentleman is recognized.

Mr. PETERS. It is already determined in the legislation. We are not adding a new definition that does not already exist in the statute. Basically, economic disadvantaged is determined by personal net worth, which is outlined in the legislation already. Social disadvantage includes a broad array of groups. African Americans, Hispanic Americans, Native Americans, Alaska Natives, Native Hawaiians, or enrolled members of federally or state recognized Indian tribes, Asian-Pacific Americans, and members of other groups that have been designated by the SBA. So this amendment does not change any of those designations. It simply puts the goal, which has already been achieved, just sets that floor what we are already achieving so we do not backslide from where we are.

Chairman GRAVES. Ms. Velázquez.

Ms. VELÁZQUEZ. Yes. I would like to say, Mr. Chairman, that I commend the gentleman's amendment. There are over 323,000 active profiles of businesses who have registered to contract with the federal government. Of this, more than 53 percent are self-certified or SBA certified small business disadvantaged businesses whose contracts are eligible to be counted towards this category. The current 5 percent goal really does not represent this business participation in the federal marketplace. This amendment will ensure that the goals more closely meter the market participation of this class of small businesses.

Additionally, the federal government has met and exceeded the goal for contracts to this category of small businesses. By raising this goal we are ensuring that we do not remain stagnant in awarding contracts to small businesses. And I will ask my colleagues to support this amendment.

Chairman GRAVES. Does any other member wish to be heard?

Mr. CICILLINE. Mr. Chairman.

Chairman GRAVES. Yes. Mr. Cicilline.

Mr. CICILLINE. Thank you, Mr. Chairman. I, too, want to compliment the sponsor of this amendment, and at a time when I think there is enormous empirical evidence that the divide between many communities in this country is growing wider and wider and becoming more and more challenging for new start up small businesses and having just raised the goal to 25 percent I think it is really important that we ensure that we at the same time raise this goal. And I want to compliment the gentlemen for this excellent amendment and urge everyone to support it.

Chairman GRAVES. Does any other member wish to be heard?

Seeing none, as Chairman of the Small Business Committee I have tried not to favor one group of small businesses over another and I do not want to pick winners and losers, and I want to help all small businesses compete. And right now we have one small business goal and four subcategory goals—women, service-disabled veterans, HUBZone firms, and small disadvantaged businesses. Each of these subcategories of small businesses can compete for small business contracts, so they all win when we increase the small business goal. However, when we increase the small disadvantaged business goal, only about 9,200 firms benefit instead of the 350,000 small firms currently seeking to do business with the federal government. Indeed, this amendment will completely subsume a 2 percent increased proposal by H.R. 3850 and then take another half percent, reducing opportunities for firms that are not small disadvantaged businesses. Therefore, I am afraid I cannot support the amendment.

With that the question is on the amendment by Mr. Peters. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

[Chorus of noes.]

Chairman GRAVES. It is the opinion of the chair that the nos have it. The nos do have it.

Ms. VELÁZQUEZ. Mr. Chairman.

Chairman GRAVES. Yes.

Ms. VELÁZQUEZ. Call for a vote.

Chairman GRAVES. Okay.

Mr. PETERS. May I request a record roll call?

Chairman GRAVES. Absolutely. A recorded vote is requested. Pursuant to Rule 10 of the Committee's Rules of Proceedings on the Bill Amendment will be postponed. What we are going to do is stack so that we do not get members hung up because we have got a vote coming up here pretty quick and then we will try to get everybody back over and we will pick that up so we have one recorded vote now on Mr. Peters.

Next recognize—will the clerk—we have got Ms. Ellmers' amendment up on 3850. Will the clerk please read the title?

The CLERK. Amendment 4 to H.R. 3850 offered by Ms. Ellmers from North Carolina.

Chairman GRAVES. Without objection the amendment is considered as read.

Ms. Ellmers, you are recognized for five minutes.

Ms. ELLMERS. Thank you, Mr. Chairman.

My amendment directs agencies, including the GSA, to abide by small business contracting goals of the Small Business Act when using commercial leasing services. Small business brokers such as Carpenter/Robbins, ICI, and Public Properties have had several projects in my home state of North Carolina. Recently, Public Properties provided support for the completion of a VA outpatient clinic in Wilmington, North Carolina and a VA health care clinic in Charlotte, North Carolina. My amendment would allow these small business brokers to compete for these leases. That completion will in turn provide lower prices for the federal government and taxpayers. Further, these small brokers offer specialized services, such as finding a hospital for the VA or a port for the NOAA.

Under current law, GSA is not legally bound to follow small business goals to procure leases with nonappropriated funds. This amendment protects small business government procurement contracting opportunities by (1) ensuring that the GSA must abide by the small business contracting goals outlined in the Small Business Act, as well as the amendments here in H.R. 3850, makes the SBA; and (2) ensures small business concerns are protected in commercial leasing. And I ask my colleagues of the Committee to approve and support this amendment. Thank you.

Chairman GRAVES. Does any other member wish to be heard on the amendment?

Ms. VELÁZQUEZ. Yes, Mr. Chairman.

Chairman GRAVES. Ms. Velázquez.

Ms. VELÁZQUEZ. I strike the last word. In the broadest context, commercial leasing services can include the renting of equipment, automobiles, and trucks. It is also understood to include real estate advisory services. Given the breadth of this definition, it is curious that this Committee will go on record to endorse the application of the Small Business Act contracting provisions to such commercial leasing services. At the very least, commercial leasing services should be defined not just so members know what it means but so this legally vague jargon is not applied in an unintended manner.

In addition, the small business contracting provisions include several programs, including those for minorities, women, and veterans. Applying such certifications, as well as the goal for these demographics to private sector commercial leasing services, could lead to unintended consequences. This could mean that we are calling for the establishment of private sector contracting goals, as well as requiring private sector transactions to be subject to federal set-asides for minority women and veterans.

Given these concerns, I would like to yield to the gentlelady for the purpose of providing some clarification on her amendment. And I would like to ask the gentlelady if the intent to apply the small business contracting provision to contracts among private entities.

Ms. ELLMERS. Well, the goal of this amendment is to allow some of the smaller entities, some of the small business entities, brokers, to be able to compete for some of these leasing projects that some of the larger entities basically are able to obtain.

Ms. VELÁZQUEZ. Your amendment reads, "It is the sense of Congress that the contracting provision of the Small Business Act shall apply to commercial leasing services." So it means private buildings in the private sector?

Reclaiming my time, in your amendment it states what I read. And this is not specific to contracts entered into by a federal agency with a commercial leasing agent. Therefore, this amendment could be interpreted that you are applying the Small Business Act contracting provision from goals to set-asides to contracts negotiated between two private parties.

So just to be clear, it is your intent to apply the minority and women set-aside programs and the accompanying goals for these demographic groups to commercial leasing services contracts?

Ms. ELLMERS. What we can do is offer a clarifying amendment if that will allow your concerns.

Ms. VELÁZQUEZ. Well, I would like to ask the gentlelady to withdraw your amendment and to work with the minority and then when we go to the floor we can work on the language.

Ms. ELLMERS. Well, what I would like to do is vote on it and see where we are. And if we need to put forward a clarifying amendment we can do so.

Chairman GRAVES. Could the counsel clarify the amendment?

COUNSEL. Yes. I believe the intent of the amendment was to focus solely on awarding contracts to commercial leasing services that obtained office space for buildings for the federal government.

Ms. VELÁZQUEZ. But we are not here to discuss intent; we are here to discuss the language of the amendment. It is not about the intent. It is about what the language reads. It says, "Should apply to commercial leasing services."

COUNSEL. And I would argue that in the context of federal government contracting the commercial leasing services that we are talking about relates to public buildings and the obtaining of leases on public buildings.

Ms. VELÁZQUEZ. So could I ask the counsel to show me in the language of this amendment where it says public buildings?

COUNSEL. It does not. But the definition of commercial leasing services is those services in which if I was the federal government and I needed office space or I needed some other type of office space, it is not a—it is a term of art essentially, making the argument that it is a commercial lease in the same way that if I was in the private sector seeking office space, I was an attorney seeking office space, that is what I—

Ms. VELÁZQUEZ. Is that defining the small business statute?

COUNSEL. Excuse me. I am sorry. I did not—

Ms. VELÁZQUEZ. The explanation, the definition of commercial leasing, is that defined in the small business statute? In the Small Business Act?

COUNSEL. No, it is not.

Ms. VELÁZQUEZ. Okay.

Chairman GRAVES. Would it be possible—could we—while we take a break for votes—to perfect this? Is that possible?

Ms. ELLMERS. From my end that is agreeable.

Chairman GRAVES. And we will just skip over. We will try to get another one. We will just stop at the moment if you guys think you can work it out.

Ms. VELÁZQUEZ. Would the gentlelady ask unanimous consent to withdraw the amendment?

Chairman GRAVES. If you want to, Ms. Ellmers, if you want to withdraw it and then we will come back to it if you guys can perfect it over this vote series, whatever it is.

Ms. ELLMERS. Okay. I would ask unanimous consent to withdraw at this time with that intent.

Chairman GRAVES. Try to work that out and then we will come right back to it. So we will postpone what we are doing on 3850.

We will move directly to 3851, which is the next order of business, the Small Business Advocate Act of 2012. The purpose of this bill is to ensure that the Offices of Small and Disadvantaged Business utilization within each federal agency have the clout to be effective advocates for small business concerns and that they focus their resources in a way that helps small businesses compete for contracts.

As the Committee uncovered this year, some agencies have been selling small businesses shot by making the director of the Office of Small and Disadvantaged Business Utilization also serve as the chief acquisition officer, chief financial officer, and one of a half dozen other titles. In each case the responsibility for small businesses got passed down to a lower level individual so small businesses lack the senior advocate envisioned by the statute. This bill addresses the problem by promoting the directors to enroll where they are the peer of the senior acquisition personnel and requiring that small businesses be the director's primary responsibility. It also clarifies the types of assistance the office should provide and reinforces the role of the office when it comes to government-wide procurement policy.

Again, I believe that this bill deserves bipartisan support. I urge the Committee to pass it, and I now recognize Ranking Member Velázquez for her remarks.

Ms. VELÁZQUEZ. I do not have a statement to make at this point, Mr. Chairman.

Chairman GRAVES. Okay, now, the Committee now moves consideration of 3851. Clerk, please report the bill.

The CLERK. H.R. 3851, To Amend the Small Business Act with Respect to Offices of Small and Disadvantaged Business Utilization and for Other Purposes.

Chairman GRAVES. Without objection, H.R. 3851 is considered read and open for amendment at any point. And I do have an amendment. Will the clerk please report the amendment.

The CLERK. Amendment 1 to H.R. 3851 offered by Mr. Graves of Missouri.

Chairman GRAVES. Without objection the amendment is considered as read.

What this amendment does is develop through cooperation with the ranking member and improves 3851 by adding minimum requirements for the position of director of the Office of Small and Disadvantaged Business Utilization. Specifically, it requires that the director have at least 10 years of experience in government contracting and enumerates how this experience can be gained. Small businesses need strong advocates to require that they have a base level of knowledge makes sense, and I urge the Committee to accept the amendment.

Are there any other members wishing to be heard on the amendment?

Seeing none the question is on the amendment by myself, the chairman. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The opinion of the chair is that the ayes have it. The ayes do have it.

Now we have an amendment from Representative Hahn. Will the clerk please read the amendment.

The CLERK. Amendment 2 to H.R. 3851 offered by Ms. Hahn of California.

Chairman GRAVES. Without objection the amendment is considered as read.

Congresswoman Hahn, you are recognized for five minutes.

Ms. HAHN. Thank you, Mr. Chairman and Ranking Member Velázquez.

I am offering this amendment because my hometown of Los Angeles is facing a severe unemployment crisis and although it has improved over the past year the unemployment rate is still 10.9 percent in Los Angeles, well above the national average of 8.3 percent. We know small businesses are the engines of our economic growth and the heartbeat of the American economy. It is these entrepreneurs who put Americans to work and fuel the innovation and development that has made this economy the best in the world.

My amendment requires small business specialists to give priority to small businesses located in areas like Los Angeles where the unemployment rate is higher than the national average. This will ensure that assistance will be focused where it is needed most and fastest. Not only is this a win for small businesses struggling to succeed in ailing local economies but it is a win for workers who have been unable to find work in the worst job markets in this country. Thank you.

Chairman GRAVES. Does anyone else wish to be heard on the amendment? We have 12 minutes. Oh, it has been called.

Seeing none, I think this amendment is going to encourage small business advocates to provide technical assistance in areas with high unemployment rates. And since the Office of Small and Disadvantaged Business Utilization currently provides assistance to all small businesses, I do not anticipate this will take assistance away from any small business; instead, it will help focus them on the fact that small businesses are job creators and it is going to help the overall economy. I do support the amendment.

With that the question is on the amendment by the gentlelady Ms. Hahn. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The ayes appear to have it. The ayes do have it.

Does anyone else wish to have an amendment? I do not think they do.

Seeing none then the question is going to be on agreeing to H.R. 3851 as amended. All those in favor say aye.

Mr. KEATING. Mr. Chairman.

Chairman GRAVES. Yes. Who is calling? Yes. Mr. Keating.

Mr. KEATING. Point of order.

Chairman GRAVES. Absolutely.

Mr. KEATING. We do not have the redrafted amendment before us. We were going to do that afterwards.

Chairman GRAVES. That is the bill before this.

Mr. KEATING. Okay.

Chairman GRAVES. We postponed that. This is the second bill we are going to try to run through. This is 3851. The one that was postponed with the amendment was 3850.

Mr. KEATING. Thank you.

Chairman GRAVES. Absolutely. No problem.

It is the opinion of the chair that the ayes do have it and H.R. 3851 —

Mr. KEATING. Mr. Chairman.

Chairman GRAVES. Yes.

Mr. KEATING. I request a recorded vote.

Chairman GRAVES. All right. A recorded vote has been requested. Let us go ahead and dispense with this one. Clerk, please call the roll, 3851.

The CLERK. Chairman Graves.

Chairman GRAVES. Aye.

The CLERK. Chairman Graves votes aye.

Mr. Barletta.

Mr. BARLETTA. Aye.

The CLERK. I am sorry. Mr. Bartlett.

Mr. Chabot.

The CLERK. Mr. King.

Mr. Coffman.

Mr. COFFMAN. Aye.

The CLERK. Mr. Coffman votes aye.

Mr. Mulvaney.

Mr. MULVANEY. Aye.

The CLERK. Mr. Mulvaney votes aye.

Mr. Tipton.

The CLERK. Mr. Landry.

Ms. Herrera Beutler.

Mr. West.

Mr. WEST. Aye.

The CLERK. Mr. West votes aye.

Ms. Ellmers.

Ms. ELLMERS. Aye.

The CLERK. Ms. Ellmers votes aye.

Mr. Walsh.

Mr. Barletta.

Mr. BARLETTA. Aye.

The CLERK. Mr. Barletta votes aye.

Mr. Hanna.

Mr. Schilling.

Mr. SCHILLING. Aye.

The CLERK. Mr. Schilling votes aye.

Ranking Member Velázquez.

Ms. VELÁZQUEZ. Aye.

The CLERK. Ranking Member Velázquez votes aye.

The CLERK. Mr. Schrader.

Mr. SCHRADER. Aye.

The CLERK. Mr. Schrader votes aye.

Mr. Critz.

Mr. CRITZ. Aye.

The CLERK. Mr. Critz votes aye.

Ms. Clarke.

Ms. CLARKE. Aye.

The CLERK. Ms. Clarke votes aye.

Ms. Chu.

Ms. CHU. No.

The CLERK. Ms. Chu votes no.

Mr. Cicilline.

Mr. CICILLINE. No.

The CLERK. Mr. Cicilline votes no.

Mr. Richmond.

Mr. RICHMOND. No.

The CLERK. Mr. Richmond votes no.

Ms. Hahn.

Ms. HAHN. I like my amendment but I am going to vote no on the bill.

The CLERK. Ms. Hahn votes no.

Mr. Peters.

Mr. PETERS. No.

The CLERK. Mr. Peters votes no.

Mr. Owens.

Mr. OWENS. No.

The CLERK. Mr. Owens votes no.

Mr. Keating.

Mr. KEATING. No.

The CLERK. Mr. Keating votes no.

Chairman GRAVES. Are there any other members wishing to vote? Seeing none, report—

The CLERK. 11 ayes, 7 nos.

Chairman GRAVES. The vote is 11 ayes, 7 nos. The bill is favorably reported to the House. And without objection the Committee is authorized to correct punctuation and make other necessary technical corrections on the document concerned today. So ordered.

When we come back we are going to move onto, if we can dispense with 3850. We will try if you all get it worked out. If not, we will move on to 3891. And with that we have 7 minutes 52 seconds. Well, you have got it up there. So we are recessed until as soon as we get back. So please hurry back.

[Recess.]

Chairman GRAVES. The Committee will come back to order.

Let us see. We are going to go out of order real quick while we get the rest of our members here. And we are going to now pick up H.R. 4121, the Early Stage Small Business Contracting Act. Let us see.

Can the clerk report the file?

The CLERK. H.R. 4121, To Provide for a Program to Provide Federal Contracts to Early Stage Small Businesses and for Other Purposes.

Chairman GRAVES. All right. Without objection—we will assume that it has been read. The bill has been read, 4121.

H.R. 4121 helps the early stage small businesses by removing the barriers to entry in the federal procurement, making sure that the smallest businesses have the opportunity to compete and make sense and this bill does have my support. And with that I recognize Ranking Member Velázquez for any remarks on 4121.

MS. VELÁZQUEZ. With the economy facing challenging times over the last few years much has been stated about the power of small businesses to lead us forward. However, what is clear is that among small firms, those that generate the greatest number of jobs also happen to be in the early stages. In fact, recent research shows that these early stage small businesses are responsible for the majority of job creations over the last 30 years. This means that it is imperative to not simply think about small businesses when we are designing policies but more specifically those firms that show a greater likelihood to grow and create employment gains.

With this in mind, channeling a small portion of the half trillion dollar federal marketplace to these very small firms is sensible policy. For this reason I am strongly supporting H.R. 4121. It builds on past efforts to accomplish this goal, enabling agencies to award contracts based on the existing mechanism used in other government-wide programs, including the general small business HUBZone, service disabled veterans, and the 8A. Such a move is appropriate and it will help educate and train these firms in government procurement practice which is critical as they grow larger.

I want to thank Mr. Schrader for his work on this issue and also again recognize the chairman for his openness in working with us on this legislation. Early stage businesses are an important engine for job creation and I look forward to advancing this legislation that will help these companies expand and grow stronger.

Thank you and I yield back.

Chairman GRAVES. Thank you, Ms. Velázquez.

H.R. 4121 is now under consideration and will now consider amendments to it.

MS. VELÁZQUEZ. Are you going to recognize him?

Chairman GRAVES. Oh, I did not realize—absolutely. Absolutely. I did not realize—

Mr. SCHRADER. Just a comment, if I may. I appreciate that, Mr. Chairman.

I appreciate consumer confidence is increasing and it looks like the jobless claims are finally at a three year low but more needs to be done I think for our truly small businesses. These early stage small firms are critical to both our national economy and also to my home state of Oregon. We have 108,000 businesses and more than one-quarter of those are very small firms with less than 25 employees. So helping these firms to mature and grow will be a key ingredient to getting our unemployment back and our economy back on track.

For manufacturing, technology, and R&D, many new young businesses I think would be very well positioned to do business with the federal government. Unfortunately, they face significant hurdles tapping into the marketplace. They do not have an in-house

contracting team. They lack the experience navigating complexities of this whole process. So hopefully this legislation will make a huge difference in making it easier for these guys to start up. In fact, I think in Oregon alone it is estimated that this could be 500 or more contracts for struggling small businesses for hard-working Oregonians and ultimately Americans.

So if we do not want to foster early stage businesses I would urge an aye vote. And thank you very much for hearing the bill, sir.

Chairman GRAVES. Absolutely. Does any other member wish to be recognized on 4121?

Seeing none it is now open for amendment, which I have an amendment to offer. Will the clerk please report the amendment.

The CLERK. Amendment 1 to H.R. 4121, Chairman Graves of Missouri.

Chairman GRAVES. Without objection the amendment is considered as read. What this amendment does is it simply strikes a note to the current statute that is going to be obsolete and confusing if Mr. Schrader's bill becomes law. And I urge the Committee to accept the amendment. Does anyone wish to be heard on the amendment?

With that, seeing none, the question is on the amendment by myself, Mr. Graves, to 4121. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed, no.

The ayes appear to have it. The ayes do have it. The amendment is adopted. Does anyone else have any other amendments?

All right. Seeing none the question is on agreeing to H.R. 4121 as amended. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The opinion of the chair is the ayes have it. The ayes do have it. H.R. 4121 is agreed to. And without objection and a quorum being present, the bill is favorably reported to the House.

Okay. Are we ready to go back? Just go back in line. Okay, now we will get back in order.

The next order would be 3893, the Subcontracting Transparency and Reliability Act of 2012 introduced by Mr. Mulvaney, which I strongly support the bill and I yield to Mr. Mulvaney to speak on 3893.

Mr. MULVANEY. Thank you, Mr. Chairman. The Subcontracting Transparency and Reliability Act, H.R. 3893, addresses a number of small business contracting issues that we identified during our subcommittee hearings first. It changes the limitations on subcontracting provisions from cost to price to make it easier for legitimate small businesses to determine if they are complying with limitations. The bill adds a penalty for small businesses that do not comply with limitations and cracks down on those small businesses that front for larger businesses. Also, the bill allows small businesses to team with other similar small businesses in order to complete the contract, giving more businesses the opportunity to learn and participate in the federal contracting process.

Secondly, the bill strengthens the prime contractor reporting requirements. This makes it easier for contracting officer to determine if there are real subcontracting opportunities for small busi-

ness and to catch and punish large businesses who are bad actors. These provisions bring additional transparency and reliability to the contracting process.

Finally, the bill addresses the problem of in-sourcing, the subject of several hearings that we had. It is the process by which the government takes work currently awarded through private sector competition and converts it into work performed by federal employees. The act requires or the bill requires federal agencies to publish their insourcing processes and give small businesses standing to challenge agency insourcing decisions.

Thank you, Mr. Chairman.

Chairman GRAVES. I now recognize Ranking Member Velázquez for her remarks on 3893.

Ms. VELÁZQUEZ. I do not have any remarks on the bill. I have remarks on the amendment.

Chairman GRAVES. All right. Any other members wish to seek recognition on 3893? Seeing none, I support H.R. 3893 because it will make it easier for small businesses to comply with rules about how much of the work they must perform on a set-aside contract and make it easier for the government to catch businesses fronting for dishonest large firms, a practice commonly known as pass-throughs. It also improves opportunities for small businesses as subcontractors. And finally, it adds transparency to insourcing practices by requiring that agencies publish the process by which they make insourcing decisions.

Again, I believe that this bill deserves bipartisan support and I urge the Committee to pass it.

The Committee now moves consideration of H.R. 3893. The clerk please report the title.

The CLERK. H.R. 3893, To Amend the Small Business Act with Respect to Subcontracting and Insourcing and for Other Purposes.

Chairman GRAVES. Without objection, H.R. 3893 is considered as read and open for amendment at this point. Does anyone have an amendment? I think Mr. Mulvaney has the first one.

Mr. MULVANEY. I do. We have a manager's amendment, Mr. Chairman. Two small things. The act, as originally drafted, codified limitations on subcontracting for construction contracts. In speaking with the administration, however, we learned that this was traditionally done through public rulemaking and not through statutes. So the manager's amendment resolves that. It removes the limitation on subcontracting for construction and statute and allows the administrator to continue the established practice of setting the limitations through rulemaking. It also provides some flexibility at the agency level to address small business needs in construction contracts. Finally, there is a technical change to further clarify that small businesses are the entities which have standing to challenge in-sourcing decisions.

Chairman GRAVES. We will go ahead—I forgot to report the amendment. Will the clerk please read the title?

The Clerk. Amendment 1, the H.R. 3893 offered by Mr. Mulvaney of South Carolina.

Chairman GRAVES. Okay. The amendment is considered read. Does any other member wish to be heard on the amendment?

Ms. VELÁZQUEZ. Yes.

Chairman GRAVES. Ranking Member Velázquez, please.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

This amendment offered by Congressman Mulvaney will simplify the limitations on subcontracting for small businesses as it moves the calculations from cost spend to total price of the contract. Additionally, it significantly scales back the in-sourcing provisions of the original text. Without this amendment, any business will be able to challenge the decision of agencies to convert the performance of a function to federal employees. A DoD-alone action for more than \$900 million worth of contracts will have been eligible for protest; 846 million being performed by large businesses. This will have been detrimental to the contracting process as agencies will have to spend their time litigating cases rather than ensuring that functions essential to running their departments were being performed. However, under this new language only small businesses will be able to challenge when functions that they are performing are converted to performance by federal employees. At DoD, this will mean that only 6 percent of their insourcing decisions will have been eligible for protest. Small businesses can use this as a tool to ensure the functions being performed by small businesses are not being converted before those functions are performed by large businesses.

And with that I support the amendment.

Chairman GRAVES. Thank you, Ranking Member Velázquez. Does anyone else wish to be heard on the amendment?

Seeing none this amendment was developed in a bipartisan manner with the ranking member. It does clarify the intention of the bill and I think it is going to improve the process for small businesses and it has my support.

The question is on the adoption of the amendment. All those in favor say aye.

Chairman GRAVES. All those opposed, no.

The opinion of the chair is the ayes have it. The amendment is agreed to.

The next amendment is Representative Clarke. And will the clerk please report.

The CLERK. Amendment 2 to H.R. 3893 offered by Ms. Clarke of New York.

Chairman GRAVES. Without objection the amendment is considered as read.

Ms. Clarke, five minutes.

Ms. CLARKE. Thank you, Mr. Chairman.

Chairman GRAVES. Yes, ma'am.

Ms. CLARKE. Everyone here supports federal contracting, and I consider myself to be an ardent, outspoken, forceful, and unapologetic advocate for minority women and veteran-owned federal contractors. However, the provisions of this bill that my amendment strikes does nothing more than make it nearly impossible for federal agencies to even have the option to insource without a prolonged delay regardless of the reason for the insourcing. While there are parts of this bill that I find agreeable, I unfortunately cannot support it in its current form. I urge my colleagues to support this amendment, and I yield to my colleague and friend, Ms. Chu.

Ms. CHU. Thank you, Representative Clarke, for yielding some time.

First of all, I would like to say that I appreciate Representative Mulvaney's efforts to improve subcontracting opportunities for small business. The hearing that we held together on subcontracting exposed a number of areas where small businesses were taken advantage of by the prime contractor. We were both dismayed at this since subcontracting is an important entry point for small firms to get experience in federal contracting. With this bill, the federal subcontracting reporting system can track compliance with subcontracting plans so that contracting officers, SBA, and the Office of Small and Disadvantaged Business Utilization can be notified of any potential violations. This is a positive step forward for small businesses.

However, I do support Representative Clarke's amendment to strike the language in the bill regarding insourcing. The insourcing provision will expand legal standing to any small business contractor to challenge any agency's decision to insource any function when contractors already have legal standing sufficient to challenge agencies' decisions in the Court of Federal Claims as well as in the Government Accountability Office. This provision can delay decisions made by agencies until they are wholly made public for comment. Some functions of agencies are not appropriate for public consumption nor made for contract lawyers and procurement judges. Besides that, the National Defense Authorization Act has twice codified the use of insourcing as an effective tool to rebalance the workforce, to realign inherently governmental work and to generate resource efficiencies. I agree that we have to do all that we can to support small businesses receiving federal contracts but I do not think that restricting insourcing is the right answer.

Thank you, and I yield back.

Chairman GRAVES. Does any other member wish to be heard on the amendment? Do you want to go?

Ms. VELÁZQUEZ. He should go.

Chairman GRAVES. Mr. Mulvaney.

Mr. MULVANEY. Very briefly, and I appreciate the comments. Keep in mind, the language that we are talking about here is fairly simple and straightforward. The language that they are seeking to strike in this amendment reads—it takes 15 seconds—"a federal agency may only convert a function." That is the formal word for insource. "May only convert a function that is being performed by small business to performance by a federal employee if (1) the agency has made publicly available after providing notice and an opportunity for public comment the procedures of the agency with respect to decisions to convert." All we are asking is that these agencies will publish and give folks the terms and conditions under which they want to consider insourcing.

We had regular testimony here—I think we did two separate hearings on this—about folks simply—small businesses not knowing what rules an agency was going to play by; that they did not know what targets they were trying to hit. They did not know the conditions under which their contract might be insourced and you could easily make the case that if we would simply publish these rules and let the small businesses know the terms and conditions

under which they are up for possible insourcing, that small business could adjust their contract, adjust their services in order to keep the service being performed by small business. So I think in the long run and the short-term this will continue to encourage the use of small business when it comes to government contracts.

Regarding the standing, I think the criticisms are fair but I think they are more applicable to the original version of the bill. I think we solved many, if not all of the standing—the potential abuses of the standing issue and the manager’s amendment which we have already adopted. So while I think it is a valid criticism, I think we have already solved that problem and the standing issue is now limited only to bona fide small businesses who are actually impacted by the decision. So with that I would encourage a yea vote on the amendment.

Thank you, Mr. Chairman.

Chairman GRAVES. Ranking Member Velázquez.

Ms. VELÁZQUEZ. Mr. Chairman, I strike the last word.

I have been clear today. Insourcing has supporters on both sides of the issue. Proponents believe that private businesses can perform tasks more efficiently than federal employees. Contrarily, opponents believe that certain functions are inherently governmental and should be only undertaken by employees. For work being performed by small businesses, this issue only becomes more important because small firms themselves create jobs at a rate that far exceeds other sectors of the economy. In this regard, I recognize the efforts of the chairman to put forward a manager’s amendment to clarify that the insourcing provisions only pertain to small firms. In fact, prior to that change 100 percent of agencies’ insourcing decisions would have been subject to the bill’s provision. Now, the scope has been dramatically reduced so that, for example, only 6 percent of the Department of Defense contracts are subject to that restriction.

While reducing the impact of the bill by 94 percent is a good start, we need to continue to work towards ensuring that there is no impact at all. There is still work to be done to ensure that this process does not simply create a web of costly litigation for agencies without the intended increase in new jobs, except possibly for the attorneys contesting the protest. It is crucial that this new protest procedure does not simply waste scarce government resources, clog the GAO, and delay legitimate protests and provide no proven benefit to the taxpayers.

With this concern in mind, I am supporting the gentlelady’s amendment and urging a yes vote. However, it is important to again recognize that we have come a long way, and again, I want to thank the chairman for truly minimizing the effect of this provision. With that I yield back.

Chairman GRAVES. Does any other member wish to be heard on the amendment?

Do you want to clarify your position?

Mr. MULVANEY. Yes, other than to change my encouragement for an aye vote to a no vote. Yes, I got the word wrong. But other than that the sentiment remains the same. Thank you, Mr. Chairman.

Chairman GRAVES. Any other member wish to be recognized?

This amendment would strip all the insourcing protections I think for the small businesses from H.R. 3893 and there seems to be three arguments against insourcing provisions. First, there is a question of whether the Offices of Small and Disadvantaged Businesses and the Procurement Center representatives should even be involved in the process. Frankly, I do not understand why this is an issue because the administration's own Office of Federal Procurement Policy, SBA, Administrator Mills, and the Director of the Minority Business Development Agency sent out a guidance last year directing the agencies to involve the small business representatives when insourcing small business work. And that is exactly what we are trying to do with this bill.

Second, there is a question as to whether insourcing guidance should be published. Right now I know of a business that may have its contract insource this month for cost purposes and they requested information on the contracting agency's insourcing processes under the Freedom of Information Act, only to have their FOIA request denied. A small business should not be losing a contract under secret process. Transparent, repeated processes must be required. Repeatable processes must be required.

And finally, there is the question of GAO protests. The process that governs outsourcing allows the government employees to protest to GAO and this provision would simply give small businesses the same rights. Since I know of small businesses that have lost their companies after insourcing decisions, they should have some due process right. And for these reasons I cannot support the gentlelady's amendment, and I urge my colleagues to oppose it.

With that the question is on Ms. Clarke's amendment to 3893. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

[Chorus of noes.]

Chairman GRAVES. The nos appear to have it. The nos do have it.

With that—thank you very much—with that we will move on to the next order of business.

Are there any other amendments, I guess, before we close? Any other amendments?

Seeing none, the question now is agreeing to H.R. 3893 as amended. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

[Chorus of noes.]

Chairman GRAVES. It is the opinion of the chair that the ayes have it. The ayes do have it.

H.R. 3893 is agreed to. Without objection, a quorum being present, the bill is favorably reported to the House.

Without objection, the Committee is authorized to correct punctuation and make any other necessary technical corrections of the document considered today. Without any objection that is so ordered.

The next order of business. The next order of business is H.R. 3980, the Small Business Opportunity Act of 2012 introduced by

Ms. Herrera Beutler and Mr. Schrader. I yield to Ms. Herrera Beutler to speak on 3980.

Ms. HERRERA BEUTLER. Thank you, Mr. Chairman. And I would like to say publicly thank you, Chairman Graves and to your staff for helping make this important bill—help us bring it before this Committee today. I would also like to thank Ranking Member Velázquez. And further, my partner in this effort, Mr. Schrader, for joining me in introducing this bipartisan piece of legislation. And all my colleagues who have co-sponsored the bill.

You know, I am pleased, Mr. Chairman, to introduce the Small Business Opportunity Act. This bill improves the acquisition planning process and empowers procurement center representatives—PCRs is what I am going to refer to them as—to be better advocates for small businesses. This is going to mean more jobs and more economic opportunities in Southwest Washington where I represent and across the country.

Procurement center representatives are Small Business Administration employees inside federal agencies. So they are advocates inside these agencies directly responsible for ensuring small businesses get the opportunity to compete for federal contracts. They review federal contracts with the single goal of providing small businesses a level playing field on which to compete. Unfortunately, Mr. Chairman, PCRs are not given the opportunity to perform their jobs to the best of their abilities.

Why, you might ask. At times agencies fail to send those procurement documents for their review. When they do receive those documents, at times the review is the last step in the procurement process, meaning they get it once the package is only complete. Everything has been all but finalized but when the PCR actually receives it. So this limits the PCR's ability to meaningfully alter or improve the contracts that will benefit small businesses. So basically it is keeping them off the table or not at the table. So instead of reviewing contracts, procurement center representatives often spend a great deal of time contracting personnel, training contracting personnel in various small business contracting programs. This task does not appear in their job description. So with only 58 PCRs across the country, Mr. Chairman, they certainly do not need to be spending their time doing other people's jobs.

So perhaps the biggest obstacles that small businesses face when they are competing for contracts is the fact that PCRs are directed to specifically not review contracts on commercially available items or services. A commercially available item is anything an everyday person would be able to purchase from a store. Anything from a box of pencils to a laundry service. There is absolutely no reason that small businesses should not be given the opportunity to compete for these contracts. Without proper input from the PCRs, many times they are excluded.

So how do we fix this? Well, this bill, the Small Business Opportunity Act, changes this playing field; it levels it. The legislation clarifies that PCRs shall have access to all documents in the acquisition planning process. Further, they will now be consulted at the beginning of the planning process rather than at the end when everything is put together and given an opportunity to weigh in on behalf of small businesses throughout the development of each con-

tract. The Federal acquisition Institute and the Defense Acquisition University, which are already funded to educate federal acquisition workforce, will be responsible for all the training, which means we are taking it off the PCRs' plate, and it allows them to focus on their main goal, which is advocating for small businesses.

Mr. Chairman, small businesses across the country are eager to compete for these contracts—for these federal contracts. There are over 900 of them in Southwest Washington alone, in my district, and when we have double digit unemployment and we know that small businesses—they are the engines of our economy, they should be given the opportunity to compete. Not only will allowing them to better compete benefit the small businesses in jobs that they are going to create, it is going to increase competition, which is going to bring down bidding prices and the dollars saved on those lower bids are taxpayer dollars. So it is an efficient, effective use of this system, and the Small Business Opportunity Act reforms it in a very commonsense way.

So I urge my colleagues to adopt, and again, I thank the ranking member and the chairman and my partner in this effort, Mr. Schrader. I yield back.

Chairman GRAVES. Ms. Velázquez.

Ms. VELÁZQUEZ. I do not have a statement.

Chairman GRAVES. I am sure Mr. Schrader does. Mr. Schrader.

Mr. SCHRADER. Thank you, Mr. Chairman.

I just briefly want to express my support for Congresswoman Herrera Beutler's bill. It simply clarifies the procurement process for small businesses through enabling the PCRs to do their job and it is a good bipartisan bill and I hope everyone will vote for it. Thank you.

Chairman GRAVES. Are there any other members that wish to be recognized for a statement on 3980?

With that I support H.R. 3980. It does modernize the role of the procurement center representatives. Doing so will ensure that we have qualified individuals supporting small businesses in a manner consistent with current procurement practices. It is also going to ensure that small businesses are considered throughout the acquisition process, not just at the end, which will increase small business opportunities. I believe that this bill deserves bipartisan support and I urge the Committee to pass it.

The Committee now moves to consideration of H.R. 3980. The clerk will report the title.

The CLERK. H.R. 3980, To Amend the Small Business Act with Respect to Procurement Center Representatives and Acquisition Planning and for Other Purposes.

Chairman GRAVES. Without objection 3980 is considered read and open for amendment at any point. Does anyone have an amendment? And I believe the first one is Mr. Schilling.

Mr. SCHILLING. Thank you, Chairman Graves and Ranking Member Velázquez.

Chairman GRAVES. Hang on just a second. Let the clerk report.

The CLERK. Amendment 1 to H.R. 380 offered by Mr. Schilling of Illinois.

Chairman GRAVES. Without objection the amendment is considered read. Mr. Schilling, you have five minutes.

Mr. SCHILLING. Thank you again. Also, I want to thank Representative Herrera Beutler and Mr. Schrader for their bipartisan legislation on this issue.

As we all know, PCRs are an important part of making certain that small businesses have the opportunity to compete for government contracts. They provide invaluable service advice and assistance to small firms during the sometimes lengthy and complicated procurement process. That being said, it is important that these advocates have the necessary training to advise small businesses. My amendment adds an important clarification for PCRs who have not achieved the certification requirements in this legislation.

As currently written, I believe H.R. 3980 may result in the SBA having to let go of PCRs that do not meet the certification requirements in the bill. I fear this would harm small businesses by abruptly interrupting the process but also these PCRs could lose their jobs which we do not need any more unemployment, of course. But my amendment would provide current PCRs with an additional time, five years, to receive the necessary certification and training to comply with the improvements offered by H.R. 3980 and help them properly assist our job creators. It is a good bill. I think it is a short, sweet amendment and I would hope to have your support on it. I yield back.

Chairman GRAVES. Does anyone else wish to be heard on the Amendment No. 1 by Mr. Schilling?

With that, this member provides a phase-in period for requiring procurement center representatives to obtain federal contracting certification. I think this amendment makes sense. I do support the gentleman's amendment.

The question is on the amendment offered by Mr. Schilling. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed, no.

The ayes appear to have it. The ayes do have it. The amendment is adopted.

The next amendment would be Ms. Chu. Would the clerk please report the title.

The CLERK. Amendment 2 to H.R. 3980 offered by Ms. Chu of California.

Chairman GRAVES. Without objection the amendment is considered read. You have five minutes.

Ms. CHU. Mr. Chair, I am supportive of the improvements that this bill is making to procurement center representatives and acquisition planning. Many of these comments and changes are long overdue. With the same thought in mind, my amendment would require training in small business prime contracting programs for PCRs, OSDBU directors, contracting officers, and business opportunity specialists. Basically, personnel involved in contracting and procurement for small business. The prime contracting programs include the 8A program, the HUBZone program, the service-disabled veteran-owned small business program, and the women-owned small business program. It is surprising, but not all contracting officers and PCRs understand the requirements of the unique characteristics each business owner faces. By giving them

this training on these businesses, these personnel can only be more successful in their work on behalf of small businesses.

Chairman GRAVES. Any other member wish to be heard on the amendment?

Ms. VELÁZQUEZ. Well, I would encourage all the members to support this amendment. It is straightforward common sense. It will add to the federal acquisition process and will enable those PCRs to really understand when to help small businesses. And I encourage support for this amendment.

Chairman GRAVES. Any other member wish to be heard?

Seeing none, this amendment does clarify that training on the Small Business Act's contract and provisions means that all the small business contracting programs—it requires that other small business contracting advocates, not just PCRs have a federal contracting certification. Educating contractors and small business advocates is going to increase the quality of government contracting and the number of awards to small businesses. I do support the amendment.

And with that, the question is on the amendment offered by Ms. Chu. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed, no.

The ayes appear to have it. The ayes do have it. The amendment is adopted.

The next amendment is with Mr. Richmond. Will the clerk please report the title.

The CLERK. Amendment 3 to H.R. 3980 offered by Mr. Richmond of Louisiana.

Chairman GRAVES. Without objection, the amendment is considered as read. Mr. Richmond, you have five minutes.

Mr. RICHMOND. Thank you, Mr. Chairman. And I want to thank both sides and the authors for bringing this bill.

My amendment simply acknowledges the fact that we are losing a large number of our acquisition workforce and this would request that the GAO look at that and see—and report back to us on the impact that it is having on small businesses so that we can make sure that staffing levels in the future will not impact the sustainability of small businesses. And that is simply what it does. And I would ask everyone to support it.

Chairman GRAVES. Anyone else wish to be heard on the amendment?

Seeing none, this amendment, it does require, just as Mr. Richmond pointed out, it requires GAO to report on potential retirements in the acquisition workforce and how they are going to relate to small businesses. When the workforce is inadequate, they tend to bundle contracts and that is a real problem as we have seen in this Committee. I do think this topic is worth further study and I support the amendment.

With that, the question is on the amendment by Mr. Richmond. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed, no.

The ayes appear to have it. The ayes do have it. The amendment is adopted.

Are there any other amendments?

Seeing none, the question is on agreeing to H.R. 3980 as amended. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed no.

In the opinion of the chair the ayes have it and H.R. 3980 is agreed to. Without objection, a quorum being present, the bill is favorably reported to the House. And without objection, the Committee is authorized to correct punctuation and make other necessary technical corrections to the document considered today which is so ordered.

So this brings us back to 3850. Is that correct?

[Recess.]

Chairman GRAVES. All right. I missed 4118. The next order of business is 4118. Then we will come back to 3850.

The next order of business is 4118, Small Business Procurement Improvement Act of 2012 offered by Mr. Critz. 4118 addresses the problem of how the procurement program of the Small Business Act apply to multiple award contracts and the role of the Small Business Administration in making those procurement policies. The Small Business Act never exempted multiple award contracts, but agencies have routinely acted as it did despite the Government Accountability Office holding otherwise. This bill corrects that problem and puts the SBA on the Federal Acquisition Regulation Council, which is going to ensure that small businesses have a larger voice in federal procurement. This bill does have my support.

I recognize Ranking Member Velázquez. Or do you want to go to Mr. Critz?

Ms. VELÁZQUEZ. Over the last decade, historically significant trends have overtaken the federal procurement marketplace. While the government has nearly doubled its spending to half a trillion dollars, the acquisition workforce that oversees these contracts has only grown by 10 percent. The result is not surprising. The use of multiple award contracts is growing rapidly, allowing agencies to award more dollars with less time and staffing resources. This is the future of federal contracting. These type of contracts now represent nearly 30 percent of the federal procurement marketplace and more than \$40 billion are now awarded annually. When counting other types of multiple award contracts, the total dollar amount approaches \$200 billion.

Given these astonishing trends, it is absolutely critical that businesses are not left behind as these newer procurement vehicles expand and grow. Doing so not only gives smaller firms an opportunity to compete for awards but also gives the government more suppliers to choose from. This improves quality and price competition and is the number one reason this Committee continues to fight to open up more federal contracts to small businesses. It is against this backdrop that I offer my strong support for H.R. 4118. At its core, the legislation recognizes that procurement practices are evolving and this Committee needs to act to ensure small firms are at the forefront of these changes rather than an afterthought. Importantly, it also places an emphasis on small business as the highest level of federal procurement policy, a change that is long overdue.

I want to commend Mr. Critz and also thank Chairman Graves and his staff for their work on this important piece of legislation. And with that I yield back.

Chairman GRAVES. Does any other member wish to be recognized for a statement on H.R. 4118?

Mr. Critz.

Mr. CRITZ. Thank you, Mr. Chairman. And thank you, Ranking Member Velázquez—

Chairman GRAVES. Is it St. Patrick's Day already?

Mr. CRITZ. There was a party today. [Laughter.]

We will not be here for St. Patrick's Day so we celebrate early. I appreciate you noticing. And often. Thank you.

Thank you, Mr. Chairman and Ranking Member Velázquez for all your work and for allowing me to present this bill. The federal marketplace, as you know, continues growing and is now approaching over half a trillion dollars annually. Unfortunately, there is also a pattern of federal agencies regularly missing their small business procurement goals of 23 percent. The total value of federal procurement marketplace last year was \$535 billion with small businesses winning \$92 billion or a mere 17 percent, only three-quarters of their goal. About 17½ billion in federal awards went to our Pennsylvania companies, which I represent, but less than 16 percent of that went to small firms, much lower than the national average.

In short, we are letting our small businesses down, depriving them of opportunities that could create badly needed jobs. In Pennsylvania we have about 485,000 citizens who are seeking work but cannot find it. By channeling more work to local entrepreneurs, we can help reduce those numbers, offering more Americans the opportunity they need to secure a strong, stable job.

The Small Business Procurement Improvement Act takes several steps that will broaden small firms' participation in the federal marketplace. Currently, projects no larger than \$150,000 are reserved for small businesses. However, given the inability of the government to achieve its 23 percent goal, more needs to be done to get contracts in the hands of small businesses. By raising this limit to \$200,000, we can expand the number of contracts that are reserved specifically for small businesses. This means more opportunity for small growing firms which translates into more jobs.

Just as the size of contracts have changed, so, too, has the specifics of how they are structured. Today federal agencies use a variety of complex vehicles to meet their acquisition needs. Agencies have the flexibility to purchase goods and services through multiple award contracts like those on the GSA schedule or effectively enter into a contract with other federal agencies. As these types of arrangements grow more common, it is important that small businesses be able to win their fair share. This legislation would require that agencies begin setting small business contracting goals that apply to these new procurement techniques. The legislation also enhances the SBA's ability to advocate for small firms in the federal marketplace. By ensuring entrepreneurs have a voice at the table, we can enhance SBA's ability to advocate for our nation's 27.5 million small businesses, including Pennsylvania's one million small firms. Taken together these reforms will mean that more

contracts flow to small companies, creating jobs locally and helping drive our economic recovery forward.

I urge my colleagues to support this legislation. I thank the chairman and the ranking member once again and yield back the balance of my time.

Chairman GRAVES. Thank you, Mr. Critz. Anybody else wish to be heard on the bill?

The Committee now moves to consideration of H.R. 4118. The clerk, please report the title.

The CLERK. H.R. 4118, to Amend the Small Business Act to Provide for Increased Small Business Participation in Multiple Award Contracts and for Other Purposes.

Chairman GRAVES. Without objection, 4118 is considered as read and open for amendment at any point. Does anyone wish to offer an amendment? I do not think there are any.

Seeing none, the question is on agreeing to—where are we at? Seeing none, the question is on agreeing to 4118. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The opinion of the chair is the ayes have it. 4118 is agreed, and without objection and a quorum being present, the bill is favorably reported to the House. And without objection the Committee is authorized to correct punctuation and make other necessary technical documents or corrections on the documents considered today.

Okay. With that we are going to go back to 3850 and clean it up which we have an amendment by Ms. Ellmers which was to be worked out over the vote break. The Committee will now resume consideration of H.R. 3850 in which further proceedings had been postponed to allow the gentlewoman from North Carolina to fix her amendment for what purpose is the gentlewoman recognized.

Ms. ELLMERS. Yes, Mr. Chairman, I do have a clarification to the amendment to be added on the end of the bill.

Chairman GRAVES. Will the clerk please report the amendment.

The CLERK. Amendment 5 to H.R. 3850 offered by Ms. Ellmers of North Carolina.

Chairman GRAVES. The gentlelady is recognized.

Ms. ELLMERS. And I am to read the—

Chairman GRAVES. Yes.

Ms. ELLMERS. Yes. Okay. And I believe this is agreeable to the ranking member and I thank all of the staff for working on this on the break.

It is the sense of Congress that the contracting provisions of the Small Business Act shall apply to the leasing of buildings and office space by the United States and shall not apply to any leasing transactions between private parties.

Chairman GRAVES. Does anyone else wish to be heard on the amendment? I think the amendment has been distributed.

Ms. Velázquez.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. I want to take this opportunity to thank the gentlelady for her flexibility in revising this amendment. I still feel like the amendment is still a solution in search of a problem but at least now we know what the solution is.

With that I thank the chairman.

Chairman GRAVES. Does anyone else wish to be heard on the amendment?

Seeing none, the question before us is on the amendment offered by Ms. Ellmers to, let us see, what was it, 3850. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All those opposed, no.

The ayes appear to have it. The ayes do have it. The amendment is adopted.

We have one recorded vote that is pending which appears No. 3 to H.R. 3850. Does the gentleman wish to be recognized?

Mr. PETERS. Yes, thank you, Mr. Chairman.

During the vote series we had a chance to discuss this amendment with the chairman and the ranking member. It is my understanding there is some willingness to work on this issue further before this bill comes to the floor. And with that in mind and in the spirit of goodwill of working on this issue I would move to withdraw the amendment at this time.

Chairman GRAVES. Mr. Peters, you have my word. We will work on it. I am more than willing to work with folks to try to figure something out and try to get things done and I will be happy to work with you on it.

Mr. PETERS. I appreciate that, Mr. Chairman.

Chairman GRAVES. Are there any other amendments? 3850. Are there any other amendments to 3850?

Seeing none, the question is on agreeing to—oh, yes, ma'am.

Ms. VELÁZQUEZ. Mr. Chairman, before you proceed.

Chairman GRAVES. Absolutely.

Ms. VELÁZQUEZ. Just to clarify, we are going to be working both sides to include some type of language in the manager's amendment regarding Mr. Peters.

Chairman GRAVES. Yes, we are.

Ms. VELÁZQUEZ. Okay.

Chairman GRAVES. Anybody else wish to be heard?

Seeing none, the question is on agreeing to H.R. 3850 as amended. All those in favor say aye.

[Chorus of ayes.]

Chairman GRAVES. All opposed, no.

The ayes appear to have it. The ayes do have it.

Without objection and a quorum being present, the bill is favorably reported to the House. Without objection, the Committee is authorized to correct punctuation and make other necessary technical corrections on the document considered today. Without objection that is so ordered.

I think that is everything. Have I forgotten anything?

Why all the long faces? This was a good day.

With that, I appreciate everybody being here. It has been a long afternoon but we got a lot of good stuff. We have got more to come on this contracting stuff. We will have another hearing in a few weeks, two weeks, to finish this stuff up. But with that, thank you very much. I appreciate it. This hearing is adjourned.

[Whereupon, at 3:50 p.m., the Committee was adjourned.]

AMENDMENT TO H.R. 3850

OFFERED BY MS. HAHN OF CALIFORNIA

Page 8, line 5, strike “paragraph (2)” and insert “subsection (h)(2)”.

Page 8, beginning on line 23, strike “competition in the Contract Act” and insert “the Competition in Contracting Act of 1984”.

Page 10, line 11, insert after “President and Congress” the following: “, and to make available on a public website,”.

AMENDMENT TO H.R. 3850

OFFERED BY MS. CHU OF CALIFORNIA

Page 13, line 9, strike “and”.

Page 13, line 11, insert “and” at the end.

Page 13, insert after line 11 the following (and redesignate provisions accordingly):

(VI) by reason of that concern’s certification as a small business owned and controlled by socially and economically disadvantaged individuals;

AMENDMENT TO H.R. 3850

OFFERED BY MR. PETERS OF MICHIGAN

Page 3, line 18, strike “5 percent” and insert “7.5 percent”.

Page 3, line 19, strike “5 percent” and insert “7.5 percent”.

AMENDMENT TO H.R. 3850

OFFERED BY MRS. ELLMERS OF NORTH CAROLINA

Add, at the end of the bill, the following:

SEC. 5. SENSE OF CONGRESS.

It is the sense of Congress that the contracting provisions of the Small Business Act shall apply to commercial leasing services.

AMENDMENT TO H.R. 3851

OFFERED BY MR. GRAVES OF MISSOURI

Page 4, insert after line 19 the following (and redesignate provisions accordingly):

(e) REQUIREMENT OF CONTRACTING EXPERIENCE FOR OSDDBU DIRECTOR.—Section 15(k) of the Small Business Act (15 U.S.C. 644(k)), as amended by this Act, is further amended, in the matter preceding paragraph (1), by striking “who shall” and insert the following: “, with at least 10 years of experience serving in any combination of the following roles: federal contracting officer, small business technical advisor, contracts administrator for federal gov-

ernment contracts, attorney specializing in federal procurement law, small business liaison officer, officer or employee who managed federal government contracts for a small business, or individual whose primary responsibilities were for the functions and duties of sections 8, 15 or 44 of this Act. Such officer or employee shall”.

AMENDMENT TO H.R. 3851

OFFERED BY MS. HAHN OF CALIFORNIA

Page 3, beginning on line 4, strike “Section (15)(k)(8)(B)” and insert the following:

(1) EXPANSION OF ROLE.—Section (15)(k)(8)(B)

Page 3, line 6, strike “by striking” and insert the following: “_

(1) by striking”

Page 3, insert after line 7 the following:

(2) by inserting after “of this Act” the following: “(giving priority in assigning to small business that are in metropolitan statistical areas for which the unemployment rate is higher than the national average unemployment rate for the United States)”.

AMENDMENT TO H.R. 3893

OFFERED BY MR. MULVANEY OF SOUTH CAROLINA

Page 2, beginning on line 13, strike “(except construction)”.

Strike page 2, line 17, and all that follows through page 3, line 7, and redesignate provisions accordingly.

Page 4, strike line 5 and all that follows through line 12, and redesignate provisions accordingly.

Page 6, insert after line 3 the following:

(3) CONSTRUCTION PROJECTS.—The Administrator shall establish, through public rulemaking, requirements similar to those specified in paragraph (1) to be applicable to contracts for general and specialty construction and to contracts for any other industry category not otherwise subject to the requirements of such paragraph. The percentage applicable to any such requirement shall be determined in accordance with paragraph (2).

Page 18, line 2, strike “private sector entity” and insert “small business concern”.

Page 18, line 12, strike “includes any” and insert “means a”.

AMENDMENT TO H.R. 3893

OFFERED BY MS. CLARKE OF NEW YORK

Beginning on page 17, line 18, strike all that follows through the end of the bill, and redesignate provisions accordingly.

AMENDMENT TO H.R. 3980

OFFERED BY MR. SCHILLING OF ILLINOIS

Page 6, line 14, insert after “certification” the following: “, except that any person serving in such a position on the date of enactment of this clause may continue to serve in that position for a period of 5 years without the required certification”.

AMENDMENT TO H.R. 3980

OFFERED BY MS. CHU OF CALIFORNIA

Page 8, line 24, insert “, including the requirements for small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, small business concerns owned and controlled by women,” before the period at the end.

Page 9, insert after line 5 the following:

(c) REQUIREMENT THAT BUSINESS OPPORTUNITY SPECIALISTS BE CERTIFIED.—Section 7(j)(10)(D)(i) of the Small Business Act (15 U.S.C. 636(j)(10)(D)(i)) is amended by inserting after “to assist such Program Participant.” the following: “The Business Opportunity Specialist shall have a Level I Federal Acquisition Certification in Contracting (or any successor certification) or the equivalent Department of Defense certification, except that a Business Opportunity Specialist serving at the time of the date of enactment of the Small Business Opportunity Act of 2012 may continue to serve as a Business Opportunity Specialist for a period of 5 years beginning on that date of enactment without such a certification.”.

AMENDMENT TO H.R. 3980

OFFERED BY MR. RICHMOND OF LOUISIANA

Page 9, insert after line 5 the following:

(c) GAO REPORT.—Not later than 365 days after the date of enactment of this Act, the Comptroller General of the United States shall conduct a study and submit a report to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate on the relationship between the size and quality of the acquisition workforce and the Federal government’s ability to maximize the utilization of small businesses in Federal procurement. The report shall specifically address the following:

(1) The extent to which training on small business contracting laws affects a contracting officer's determination to use one of the contracting authorities provided in the Small Business Act.

(2) The relationship between a robust Federal acquisition workforce and small business success in obtaining Federal contracting opportunities.

(3) The effect on economic growth if small businesses experienced a significant reduction in small business procurement activities.

(4) The effect of the anticipated acceleration of retirements by the acquisition workforce on small business procurement opportunities.

AMENDMENT TO H.R. 4121

OFFERED BY MR. GRAVES OF MISSOURI

Page 5, insert after line 14 the following:

SEC. 3. REPEAL OF SIMILAR PROGRAM.

Section 304 of the Small Business Administration Reauthorization and Amendments Act of 1994 (15 U.S.C. 644 note) is repealed.

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COMMITTEE ON SMALL BUSINESS
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GROWTH, TAX AND CAPITAL ACCESS
SUBCOMMITTEE ON AGRICULTURE,
ENERGY, AND TRADE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION, AND TRADE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
COMMITTEE ON STEERING AND POLICY

Representative David N. Cicilline (RI-01)
**Testimony Regarding The House Small Business Committee's Views and Estimates Small
Business Administration's Fiscal Year 2013 Budget Request**

Thank you Chairman Graves, Ranking Member Velázquez, and my colleagues on the House Committee on Small Business.

As of January, the unemployment rate in Rhode Island stood at 10.9 percent. That means more than 61,000 men and women in my state are without work. As all of you know so well, the federal budget is not just a series of estimates, revenues, and expenditures. The budget is a powerful indication of our priorities as a nation. The work that we will undertake in the coming months is a reflection of our desire and ability to chart a course to prosperity in our states and nation – both now and into the future.

Small businesses are a key component of Rhode Island's and the nation's economic recovery. Charting a course to prosperity requires that we create an environment where hardworking entrepreneurs can access the tools they need to generate and expand firms, create jobs, and strengthen our economy.

Small businesses, firms with fewer than 500 employees, totaled 93,333 in Rhode Island in 2009. Of this total, 23,837 were employers, accounting for 55.2% of the state's private-sector jobs. Furthermore, in 2010, small businesses with less than 20 employees accounted for approximately 90 percent of all private sector employers, providing jobs for just over 25% of Rhode Island's workforce.

Small businesses are vitally important for job growth in my state and throughout the nation. Depending on the data source one uses, nation-wide over the past 15 years, small businesses have accounted for 65% to 90% of net new jobs. However, small businesses have also borne the brunt of the worst economic downturn in generations and shed a significant number of jobs during the recession. This distinguishes the most recent recession from the 2001 downturn, in which larger businesses experienced greater net job declines and very small businesses were quicker to recover.

It is clear that cultivating robust and thriving small businesses is a critically important element in improving the health of Rhode Island's and our nation's economy. The Small Business Administration (SBA), through capital access programs, technical assistance, entrepreneurial development initiatives, and government contracting activity fulfills a vital role in supporting this segment of our economy. As the House Committee on Small Business transmits its views and estimates report on the SBA Fiscal Year 2013 budget request, I would like to take this opportunity to provide my input.

First, SBA's Rhode Island District Office was credited with \$126,542,000 in loan dollar volume during Fiscal Year 2011. This volume represents more than a 20% increase above Fiscal Year 2010. Of the 447 loans in Fiscal Year 2011 by program, the vast majority were acquired through SBA's most commonly used lending program – the 7(a) Loan Program. The SBA's guarantees help entrepreneurs secure loans to establish new businesses or to assist in the acquisition, operation, or expansion of an existing business. For small businesses in Rhode Island, and throughout the nation, the SBA's lending programs provide critically needed capital and credit to our job creators and entrepreneurs. In January of this year, I visited Dr. Carmen D. Sanchez, owner of Comfort Dental in Central Falls, Rhode Island. Dr. Sanchez, a native of the Dominican Republic, first opened a Comfort Dental office in Providence in 1999, and later started a second office in Central Falls after she was able to secure loans from the SBA. For Fiscal Year 2013, I support the much-needed funding for SBA's lending programs, including 7(a), the Certified Development Company Loan Program, and Microloans, so that entrepreneurs like Dr. Sanchez can continue to open and grow small businesses and create jobs.

Second, our nation's network of Small Business Development Centers (SBDCs) is an essential element of the SBA's outreach and technical assistance efforts. As I stated last year, I once again strongly disagree with the proposal to reduce SBDC funding. In 2011 alone, the Rhode Island Small Business Development Center (RISBDC) helped businesses acquire more than \$26 million in much-needed capital, and helped to create or retain more than 1,800 jobs. For a state with one of the highest unemployment rates in the country, the RISBDC is an invaluable resource for our small businesses and entrepreneurs. Nationally, SBDCs help form the backbone of essential economic development services for our smaller enterprises. A 10 percent reduction to the SBDC will not only stifle their ability to generate financing, which amounted to more than \$3.8 billion in 2011, but will also negatively impact other outcomes that are more difficult to quantify in monetary terms. Locally, these outcomes include partnering with the Rhode Island Department of Labor and Training and local businesses to assess skills gaps, assisting Spanish speaking small business owners through bi-lingual training programs, providing human resource assistance to help retain workers, and aiding entrepreneurs with sales and marketing strategies.

While the Administration and Congress contemplate the many possible ways to reduce spending, we must support programs, like the Small Business Development Centers, that have proven their return on investment time and again – delivering high quality and effective services to small business owners and entrepreneurs.

Third, as was the Majority's recommendation in the FY 2012 Views and Estimates of the House Committee on Small Business, the FY 2013 Views and Estimates again include reductions and, in some instances, elimination of funding for programs that provide targeted and essential assistance to communities in critical need of access to the SBA's expert counsel. As I argued last year, the position promoted within the Views and Estimates regarding duplication of services and programs, within and outside of the SBA, requires urgent and comprehensive review by an independent third party. Efforts to eliminate funds for programs that serve women, veterans, low-income individuals,

and Native Americans should not be enacted without first conducting a thorough, third party review of these programs and their relationship with existing initiatives in the SBA and other government agencies and departments. This Committee must ensure that essential services will continue to be provided in a timely and effective fashion to clients who face unique obstacles in opening and expanding a small business.

Finally, the Small Business Administration must be given the flexibility to adapt their programs in a timely fashion to the changing needs of small businesses and fluctuations in the economy. As I stated in FY 2012, I again reiterate that while flexibility should not exceed statutory authorization, it must also not be interpreted so narrowly as to constrain the SBA's ability to innovate and adequately serve the needs of small businesses and entrepreneurs.

As I noted during a hearing of the Small Business Committee in October 2011, I commend the SBA for taking the initiative to propel more capital into the hands of start-ups and entrepreneurs through two new variations in the Small Business Investment Company (SBIC) program – the Early Stage Innovation Fund and Impact Investment Fund. As Ranking Member Velazquez noted during that hearing, SBA studies indicate that the unmet need for early-stage equity financing for small businesses is about \$60 billion annually. Initiatives like the Early Stage Innovation Fund will help Start-ups like Axena Technologies in Providence, Rhode Island by targeting the market gap in early-stage financing that all too often prevents start-up small businesses from transforming their entrepreneurial visions into reality. The SBA has \$3 billion in authorized leverage annually through the SBIC program, and is seeking an increase to \$4 billion for FY 2013. Both the Early Stage Innovation Fund and Impact Investment Fund are intended to leverage a portion of existing, untapped authority – propelling much needed capital into the hands of start-ups and entrepreneurs.

At the same time, as part of their continuing commitment to expanding access to capital for small businesses in underserved communities, the SBA launched two new initiatives within the 7(a) lending program – the Small Loan Advantage and the Community Advantage. These programs will reach maturation in FY 2013, and I look forward to the SBA's review of the performance of these initiatives and their ability to get more capital into the hands of small business owners and entrepreneurs in underserved areas.

While the SBA should be given the flexibility to implement these proposals within the SBIC and 7(a) programs, they must also be held accountable for developing and operating the programs in a manner that protects the financial soundness of the SBIC and 7(a) portfolio. Furthermore, as stated last year, I strongly believe the SBA should be required to provide regular reviews to this Committee on the performance of these initiatives.

Thank you for the opportunity to submit my opinions on this Committee's views and estimates of the SBA Fiscal Year 2012 budget request.