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SEQUESTRATION: SMALL BUSINESS CONTRACTORS WEATHERING THE STORM IN A CLIMATE OF FISCAL UNCERTAINTY

ROUNDTABLE

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

JUNE 20, 2013

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SEQUESTRATION: SMALL BUSINESS CONTRACTORS WEATHERING THE STORM IN A CLIMATE OF FISCAL UNCERTAINTY

THURSDAY, JUNE 20, 2013

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 10:04 a.m., in Room 428, Russell Senate Office Building, Hon. Mary L. Landrieu (Chair of the Committee) presiding.

Present: Senators Landrieu, Shaheen, and Heitkamp.

INTRODUCTORY REMARKS OF HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA

Chair LANDRIEU. Good morning, everyone. And, if you would find your seats—and welcome.

I am happy to call this Small Business Roundtable together this morning, which is one of our traditional and very popular roundtables on a variety of subjects that we believe help to give voice to small business in America. I want to thank all of you for participating.

And the subject of this roundtable is Small Business Contractors Weathering the Storm of Fiscal Uncertainty. In other words, sequestration is happening as we speak—across-the-board cuts to a variety of different agencies.

Of course, my position is that I hope we can move past sequestration to a more organized and orderly budget process for our agencies, departments and the Nation, but we have not gotten to that point yet.

And so we have had many, many questions that I thought could be answered by this such roundtable—how is sequestration affecting small business, particularly those businesses that contract with the Federal Government—and that is why you all have been invited today.

So I would like to start with Peter, and I would like you to introduce yourself. You have like 45 seconds. Say who you are, what you do and one sentence about why you are happy to be here.

And you have got to press the button, talk, and you have to kind of lean into the microphone to be picked up.

Mr. ANTOINETTE. Peter Antoinette, Nanocomp Technologies in Merrimack, New Hampshire. Ninety-five percent of our business comes from the Department of Defense. We make advanced mate-

rials to lighten body armor, to reduce the weight of satellites and aircraft through carbon nanotechnology.

And I am happy to be here because sequestration is hammering us right now as a small business and is hammering others in the greater New Hampshire area. As a member and as the director of the High Tech Council, I am seeing that too.

Chair LANDRIEU. Thank you.

Mr. Ford.

Mr. FORD. Good morning. My name is Antwanye Ford, President and CEO of Enlightened, Inc. I am also the Chair of the Board for the D.C. Chamber of Commerce as well as the Presidential Council for the Black Chamber of Commerce.

Enlightened, Inc. is a firm founded in 1999. We do cyber security, a lot of system integration work, as well as management consulting.

I am very happy to be here to talk about sequestration. We are also being hammered in some of the work that we are doing across both DOD and civilian agencies, but we are also getting a little bit hammered on some of the local work we are doing in Washington, D.C. because some of the work we do at the local levels is grants—as you know, some of the work that is being passed down. So we are being hammered across the board.

So I am happy to have a voice here and would love to be able to add some value where we can.

Chair LANDRIEU. Mr. Misanin.

Mr. MISANIN. Good morning. My name is Joe Misanin. I am the Deputy Director for Technology and Innovation at the Department of Defense with responsibility for Small Business Innovation Research, Small Business Technology Transfer, Indian Incentive and the various funded programs.

The department's commitment to maximizing opportunities for small business in DOD procurements remains stronger than ever, and I am looking forward to this discussion about the impacts of the sequester on small business performance within the agencies and what we can do about it.

Thank you.

Chair LANDRIEU. Thank you.

Ms. Park.

Ms. PARK. Good morning. I am Jan Park with the General Services Administration.

Chair LANDRIEU. Is your button pressed? And pull the mic closer to you, please.

Ms. PARK. Good morning. Jan Park with the General Services Administration. I oversee the Small Business Utilization Program at GSA. We really advocate for small business opportunity in Federal contracting through our agency, and our Acting Administrator testified earlier this week about GSA's commitment to small business.

So I am pleased to be here. We have a strong record of contracting with small businesses, and I am happy to be here to hear how we can do even better.

Chair LANDRIEU. Thank you.

Go ahead.

Mr. BOSHEARS. Good morning. Kevin Boshears with the Department of Homeland Security, Director of the Office of Small and Disadvantaged Business Utilization. We are pleased to be here as well to talk about, despite the challenging environment, how we can continue to promote small businesses' participation in our department.

Thank you for inviting me.

Chair LANDRIEU. Thank you.

Mr. Jenkins.

Mr. JENKINS. Good morning. My name is Calvin Jenkins. I am the Deputy Associate Administrator for SBA's Office of Government Contracts and Business Development. Pretty much all of the small business set-aside programs are within our authority.

Certainly, I am happy to be here, to look forward to the discussion on the impact of sequester on small businesses and talk about SBA's efforts to maximize opportunities during this trying time.

Mr. JOE JORDAN. Thank you, Madam Chair.

Chair LANDRIEU. Mr. Jordan.

Mr. JOE JORDAN. I am Joe Jordan, Administrator for Federal Procurement Policy at the Office of Management and Budget, also formerly Associate Administrator for Government Contracting and Business Development at the Small Business Administration.

I am happy to be here because it is always great to talk about the opportunities and challenges faced by small businesses with so many people in our community and also because sequestration is a bad policy and it will negatively impact small businesses, and I hope it is replaced with balanced deficit reduction.

Chair LANDRIEU. Thank you, Mr. Jordan.

Ms. Harris.

Ms. HARRIS. Good morning. My name is Dot Harris. I am an assistant secretary at the Department of Energy with responsibility for economic impact and diversity for the agency. I am also Director of the OSDBU.

I am happy to be here this morning because small business is important. I have been a previous small business owner myself. I understand the need and the support—that the agencies have to stand up to support small businesses.

Glad to be here. Thank you.

Chair LANDRIEU. Mr. Vera.

Mr. VERA. Good morning. My name is Mauricio Vera. I am the Director of the Office of Small Business at the U.S. Agency for International Development.

I am very happy to be here to discuss how we have improved at our agency with working with small businesses and to discuss what we see as the significant impact moving forward, beyond this year in particular, should the sequester situation continue.

So I am happy to be here, and thank you very much for inviting me.

Chair LANDRIEU. Thank you.

Mr. Smith.

Mr. SMITH. Good morning. I am Willie Smith. I am the Senior Procurement Executive with the Department of Transportation. And one of my most important functions as Senior Procurement Executive is to facilitate an acquisition environment that supports

the timely delivery and cost-effective delivery of goods and services to support our mission. Certainly, small businesses play a very important role in that.

And bringing together the acquisition forces (contracting, program management, and technical) within the Department of Transportation to facilitate that goal is something that I spend a lot of time doing. So it is certainly good to be here to talk with you and explore ideas about how we can continue to operate effectively in sequestration and other austere budget environments.

Chair LANDRIEU. Mr. Jordan. I mean Mr. Neal.

Mr. NEAL. Good morning. Brandon Neal on behalf of the U.S. Department of Transportation, Director of the Office of Small and Disadvantaged Business Utilization. I am here today to share some of our best practices across the agency, from the top-down, on how we are achieving our small business goals during the sequestration period.

Chair LANDRIEU. Thank you.

Mr. Jordan.

Mr. ROGER JORDAN. Chairwoman, thank you.

I am Roger Jordan with the Professional Services Council. We are a national trade association that represents Federal contractors that provide professional and technical services across all the government agencies.

Pleased to be here this morning to talk about sequestration but also, more importantly, the broader impact of budget uncertainty and the impact that it is having on not just the agencies but also on contractors' ability to plan.

Chair LANDRIEU. Ms. Priester.

Ms. PRIESTER. Good morning. My name is Nicole Priester, and I am the President and CEO of Encore Solutions, Inc., a woman-owned 8(a) small business headquartered in Rockville, Maryland. And I am very happy to be here today to discuss how small businesses like my own have been negatively impacted by sequestration.

Chair LANDRIEU. Well, as you can see, we have a very distinguished and knowledgeable panel, and I think this will be a very helpful and robust and informal discussion, which is the purpose of a roundtable as opposed to a formal hearing—to get actually more on the record that might be helpful as we explore this challenge.

Let me recognize Senator Shaheen who is with us today. She wants to give brief opening remarks and introduce, I think, someone from New Hampshire.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Well, I just want to first thank Chair Landrieu and the Ranking Member for having this roundtable discussion.

As you all know because you have been dealing with the issues of sequestration—these automatic cuts that have gone into effect—they are creating real uncertainty and challenges for not just government agencies but for the small businesses who work for the

government. So I think this is a very timely discussion, and hopefully, it will help spur some action here in Congress.

I also wanted to thank Peter Antoinette, who is with a New Hampshire company, Nanocomp, for coming down and for sharing the challenges that you are facing.

Peter's company is using very innovative technology. Having to deal with the kinds of impacts from sequestration right now can have a huge negative effect on potential for small companies like Peter's and others that are really innovative—I mean all of you who are on the panel can speak to this—as they are trying to get off the ground.

So I especially appreciate your coming and for sharing your insights. Thank you all very much.

OPENING STATEMENT OF CHAIR LANDRIEU

Chair LANDRIEU. I am going to keep my opening remarks very brief for a couple of reasons. Our time, unfortunately for Senator Shaheen and I, is short because we have a markup on the Appropriations Committee that starts shortly. But the good news is Senator Heitkamp will be here—a member of our Committee—to continue to conduct. Both minority and majority staff are present. So this will continue to be in the record.

Let me just acknowledge that this week, Senator, is the 50th National Small Business Week that we have recognized at the Federal Government. And, of course, all over the country, states and jurisdictions acknowledge Small Business Week. It gives us an opportunity to really shine the spotlight on the great entrepreneurial spirit of America, which is a model for the world.

We have 27 million small businesses in America, defined as anywhere from 1 to 500 employees, but most importantly, 35 percent of all the patents across the board are held by small businesses. As you know, some of the most cutting-edge technology is being developed by small businesses in America.

And they are absolutely the job creators of our economy. Sixty to sixty-five percent of all new jobs have been created by start-up small businesses.

And, particularly in times of challenge, small businesses are more agile, quicker to be able sometimes to respond to very difficult, changing market situations.

So the purpose of this hearing this morning—and we are joined by Senator Heitkamp.

The purpose of this roundtable is to really hear from small businesses themselves that contract with the Federal Government and potentially, as you said, Mr. Ford, other governments—the District of Columbia—and the impact that sequestration is having on them because the last thing we want, I think in our view, or my view—let me just speak for myself, not for the entire Committee—is to stop job creation in America. We need to be promoting job creation. We need to be creating jobs.

So I sent a letter, which prompted this hearing, at the request of several of my members, to the Federal agencies, asking for that information—how is sequester to your agency or your department affecting your small business goals as required by Federal law?

And we wanted to hear not just from the agencies but from some small businesses to really test and trust what is truly going on, not that we do not believe our agencies, but we like to trust and verify on this Committee.

So that is what this roundtable is about.

To save time, I am going to submit the rest of my statement for the record, and I would like to begin the discussion.

And, again, to our member, this is very free-wielding. I am going to start with one or two questions.

If you want to respond, raise your placard like this. I will do my best to call on you.

And, if the members have a question, they can just signal to me, or if they have a comment they would like to make.

And we will take all of this information and have it for a good congressional record and share it with our counterpart on the House side as well.

So let me just start, Mr. Jordan and Mr. Jenkins, with you. For just each of you, a two-minute sort of opening, or two or three minutes opening—from your positions as—Mr. Jordan, you are Office of Federal Procurement, Office of OMB. Mr. Jenkins, you are the Office of Government Contracting with the small business development.

My question would be: How are your offices focused on this question?

Are you or are you not?

And, if you are, what are you doing?

And if you are not, what should you be doing?

Go ahead, Mr. Jordan.

Mr. JOE JORDAN. Absolutely, Madam Chair, and thank you again for holding this very important conversation.

As I said, and as you said, sequester is bad policy. It absolutely will have negative impacts on businesses of all types, and that includes the job creating, innovative, entrepreneurial small businesses.

The President—you mentioned this in your opening too—called repeatedly for balanced deficit reduction to turn off the sequester.

Small businesses are not immune from the negative effects of the sequester. That being said, there is a lot we are doing in general to promote small businesses, specifically small business contracts—obviously, a passion of mine coming from SBA to OMB.

The President and the Administration have really been unwaivering in their commitment to small businesses in maximizing the utilization of small business contractors. If you look at what we did, not just what we are saying, the goal achievement against small business contracting goals has gone up repeatedly—the largest two-year increase in more than a decade. It looks like it is on a good upward track, and we will not declare victory until we meet or exceed the 23 percent.

But we are doing a number of things. We are convening the White House Small Business Procurement Group. This brings the Deputy Secretary's real high-level folks within the agencies to the White House to discuss the challenges and, again, opportunities for small business contractors, share best practices and tools they can

use—so just tools given to agencies by this Committee in Congress through the Small Business Jobs Act.

My very first memo after getting confirmed at OFPP was to co-sign with Karen Mills and send out to all the agencies, saying here are three specific things we would like you to do to help increase small business utilization. And we are reconvening that group, in fact, next week.

Chair LANDRIEU. Do you mind saying what those three things are?

Mr. JOE JORDAN. Absolutely. It was, first of all, looking for opportunities below the Simplified Acquisition Threshold—the $150,000 level below which it is presumed that contracts will go to small businesses. And you really need to step up your utilization of small business there.

Secondly, using Section 1331 of the Small Business Jobs Act that this Committee was incredibly helpful in passing, which allows set-asides on these multiple award contracts. Set-asides are the task orders for small businesses. So you can restrict that competition to just small businesses or the socioeconomic groups.

And then, third, ensuring that at each agency there is high-level accountability to achieving that agency's goals. SBA sets specific goals for each agency that roll up to that 23 percent for the government, and we need agency leadership really focused on meeting or exceeding there.

We then set up a cross-agency performance goal for the government overall, both in meeting those numerical statutory goals but also in driving more innovative contracting methods—finding new ways to get the dollars to small businesses.

And then we have held a number of sessions with the Office of Science and Technology Policy, figuring out that piece.

At the end of the day, a lot of this is awareness-building, both among the agencies and the contracting officer workforce, which I try to help promote through my office, through the Federal Acquisition Institute trainings and some of the memos and guidance documents that we issue.

And then I know all the agencies do a tremendous amount of outreach to the small businesses. In fact, my boss, Sylvia Burwell, just spoke yesterday at the New Hampshire Business Day Luncheon with a number of great New Hampshire businesses.

So those are some of the types of things we are trying to do.

But, again, sequester is bad policy, and it is going to have a negative impact.

Chair LANDRIEU. Mr. Jenkins.

Mr. JENKINS. Thank you.

Certainly, the SBA is clearly focused on the impact of sequester on small business and procurement opportunities. In fact, just yesterday I received an email about a small business who indicated how at a particular buying activity they lost an opportunity and the contracting officer indicated it was because of the sequestration, and so that was a key part of their procurement opportunity.

But we are focused. As Joe mentioned, one of the things we do is negotiate goals with the 24 top contracting agencies—the 24 CFO agencies. We negotiate very strict goals with them in order to set the governmentwide goal.

We also have proactive engagement in the sense that we have procurement center representatives who are assigned to the various buying activities throughout the country, looking for opportunities.

We have worked with our data folks, and we have developed some additional tools. One tool, in particular, is called the Procurement Opportunity Tool. We now can see all the procurements across the board that have gone to small business in a particular industry and then have a conversation or discussion with the agencies to find out why other procurements in those same industries are not going to small business. And we have made those tools available to each of the agencies, which is really critical.

Also, accountability has been a key part for us, and we have developed a scorecard. Joe, when he was at the SBA, helped us redefine that and put a lot of methodology behind that scorecard. So now we can evaluate not just whether or not an agency has met or did not meet the goals but what effort the agency is actually putting forth.

In a lot of cases, we are seeing a lot of good best practices that we can share across the various agencies, which have been tremendously helpful.

So I think those are the three approaches—negotiate good, solid goals with the agencies; proactively engage the agencies; and also accountability in terms of a scorecarding of the agencies and finding out exactly where they stand at the end of the day.

Chair LANDRIEU. Okay. I would like to ask you to submit that letter you referred to, to the record, and if any others have letters that they have received from small businesses, if you want to submit them to the record of this hearing.

Mr. JENKINS. Sure.

Chair LANDRIEU. Let me ask the agencies present—and we have the Department of Homeland Security, Department of Defense, Department of Transportation, Department of Small Business—to respond to what you heard from Mr. Jordan and Mr. Jenkins. Have any of the actions that they have taken been helpful to you all?

And I would really like to hear from the Department of Defense since you have the largest amount.

You can refer to this chart back here, members—the prime contracting for small businesses.

And I do not know if the staff can pass these out to the members or push this up.

But the Department of Defense has $57 billion that is directed by our law to direct to small business contracts. Now it is a small portion of their overall budget, but $57 billion is a big number, and it can have a major impact on companies and communities everywhere.

We have—the next largest is the Department of Homeland Security, which I actually chair—$4.2 billion.

Then we have General Services Administration—$1.4 billion.

The Department of Energy is $1.3 billion.

Department of Transportation is about $.73 billion.

And then USAID is $.18 billion—$180 million.

And others are much smaller.

So let's start with the Department of Defense because this is where the impacts are probably going to be felt most broadly, most deeply and particularly because of just the geography of the Defense Department. Although it is broadly all over our country, I think we will feel some real effects here in Virginia and in Maryland among some of the businesses that are really within driving distance of this capital.

So, go ahead.

Mr. MISANIN. Yes. Thank you.

First, let me echo what Mr. Joe Jordan said—that the impact of the sequestration is bad, and it is accumulating, and the effects are going to get worse as we get closer to the end of the fiscal year.

Let me first say that as a combination of having been impacted by the continuing resolution at the beginning of the year and then the sequester on the back end, it is really hurting small business performance.

Just to give you an example, with the SBIR program, which I am familiar with, under a continuing resolution, budget allocations are not made under a continuing resolution. There is a delay until the final budget is enacted. So that hampers our ability to award SBIR contracts during the course of the year, or to get money to allocate to contracts.

And then once the money was released, we got hit by the sequester. Well, the sequestration in the RDT&E account—there is going to be about an 8.6 percent reduction in available RDT&E. And if you go through the numbers, it is approximately 100 SBIR Phase II Awards that we will not be able to accomplish this year.

Chair LANDRIEU. Let's just explain what SBIR is for people that may not be familiar.

Mr. MISANIN. Okay. I am sorry.

The Small Business Innovation Research Program is a program that is invoked by statute. It is funded through a set-aside procedure where you calculate a percentage of your extramural research and development budget, and there are thresholds for Agency participation. Your Agency budget has to exceed a certain threshold before you are required to participate in the program.

And the focus of the program is to really unlock and leverage the innovation capacity of small businesses, especially in the technology spaces. The Department of Defense has been using it very successfully over the past 30 years of the program's existence, and my earlier discussion with some of the roundtable participants revealed they had started their companies with SBIR funding.

But it is a very important program—it is a small percentage of the total RDT&E—extramural RDT&E—but it is important because of the emphasis and the focus on innovation and technology.

And we have been able to link it up with other programs, such as the Rapid Innovation Fund, which provides similar funding to help bridge the so-called "valley of death," to help these small business technologies get commercialized so that we can deploy them out into the field, on programs of record and into the hands of the warfighter.

Chair LANDRIEU. I am going to recognize Senator Shaheen right now.

Not only does this program take the best ideas that our small businesses and universities and others are coming up with, but they help to not only save taxpayers money because of the disruptive technology and innovation and efficiencies that they cause but, when spun out commercially, are some of the really bases of job creation in America.

And this program—I am very happy. Our Committee led the reauthorization of the SBIR program. For seven years, it was stuck. We could not find a path forward. With the help of my staff, we found a path forward as a seven-year, I think—a six-year authorization or seven?

Six. Six-year authorization of this program.

But now some of this good work is in jeopardy.

And Senator Shaheen, I think you had a question or comment.

Senator SHAHEEN. Well, as you are talking about the innovation that goes on in small businesses, I thought it would be interesting to hear from Mr. Antoinette, who is working with DOD and doing some of that innovation on what you are seeing as the result of the cutbacks.

Mr. ANTOINETTE. Yeah, I would say that this is the area that is getting most hit right now. Discretionary funds are being hit first.

R&D is being sacrificed right now amongst the program people at the highest level, from the intelligence community all the way down into the everyday Armed Forces.

Every one of the program managers we have worked with in science and technology, which is what it is given the acronym for, is getting the biggest hit right now.

So we are actually going to be less innovative, with companies that are less able to absorb that, and so you are going to depend upon the primes who, because they report on an earnings per share of public basis, they cannot afford to be quite as innovative.

So we are actually choking down some of these engines of innovation.

For ourselves, we actually saw this start in last August. We had to go and lay off 15 percent of our force at year-end of last year as the—this is a perfect storm for us. This is not just a storm. This is a perfect storm.

So the impacts we are seeing directly in Joe's world are the biggest programs that are getting hit are R&D.

Chair LANDRIEU. Anybody else want to comment on anything similar—go ahead, Mr. Jordan.

Mr. ROGER JORDAN. Yeah, I think Mr. Antoinette is absolutely right.

As we have gone through this process, one of the things that we have been advocating for is not just attention to what the government buys, but it is how it buys it and how that affects innovation.

And one of the trends that we have seen, as there is downward pressure on budgets, is this move towards lowest price, technically acceptable source selections. In essence, that drives towards the lowest cost solution and drives innovation out of the process. There is an appropriate place for LPTA in the acquisition tool box, but we are seeing it being used more inappropriately these days because of the budget pressures, and it is driving the innovative-type work out of acquisitions.

Chair LANDRIEU. Okay. Help me understand a little bit about this lowest price mandate. Where is that coming from?

Mr. ROGER JORDAN. It is not necessarily a mandate, but—well, one of the places that it first appeared was in the Department of Defense's Better Buying Power 1.0 initiative where there was an indication for a preference towards lowest price, technically acceptable.

They have since, and more recently, come out with a Better Buying 2.0 initiative that seeks to offer some clarification, and it says, look, you have got to make sure you are using this appropriately.

I think that the original message was use LPTA, and now they have walked back from that and said, make sure that you are only using it in the right cases, where innovation is not the desired outcome.

Chair LANDRIEU. Okay. So we have self-corrected that, Department of Defense?

It is not buying the cheapest item; it is buying the lowest cost item that actually is good and works?

Mr. ROGER JORDAN. With regard to Better Buying Power (BBP), that is correct.

[Laughter.]

Chair LANDRIEU. Yes, because we would not want to buy something that is just cheap, but it does not—like the missile does not fire. That would not be good.

So we have corrected that?

Okay.

Mr. ROGER JORDAN. Yes, in revised BBP guidance.

Chair LANDRIEU. Okay. All right. Anybody else?

Mr. Smith—and just put your cards up. Really, do not be shy. I know you all do not look like a shy group to me.

So go ahead, Mr. Smith.

Mr. SMITH. Yes. I tend to focus more from an acquisition standpoint within the Department of Transportation on the overarching best value. Of course, lowest price, technically acceptable falls within the category of thinking through that, but your comments with regards to source selection and how that works, and the shared responsibility within the procurement and contracting community is something that is certainly important.

Mr. Jordan talked—Joe Jordan talked about simplified acquisition and some of the set-asides for multiple awards.

One of the things that we focus on at a more specific level within the departments, within the acquisition community, is understanding that shared responsibility between the requirements offices that identify what it is we buy and how much we buy, the contracts community, and making sure that we identify how to buy smarter and how to do all the kinds of things that you talked about with regards to source selection and identifying those requirements—more specifically to satisfy any number of agency objectives, to include socioeconomic programs. And then we all get involved in the process of making sure that we are administering those contracts.

One of the best practices that we have put into place over the last three years that has worked quite effectively in helping us at least identify those kinds of opportunities is our Strategic Acquisi-

tion Council. We have 10 operating administrations that cover any number of transportation-related areas, from aviation to highways to bridges and all of the infrastructure kinds of things, or many of the infrastructure kinds of things, that we are focusing on across the country today.

And, within that environment, each of those 10 operating administrations, the Chief Contracting Office as well as the Office of Small and Disadvantaged Business Utilization meet on a monthly basis, at least, to talk specifically about the kinds of strategies, the kinds of opportunities, the kinds of things that we can do to continue to ensure that we invest properly and focus on our small business community.

So that is certainly a best practice for us that has been quite effective.

Senator HEITKAMP [presiding]. I think that we are hearing over and over again—and I am sorry you have got the rookie now. Mary had very important business.

I think what we are hearing over and over again—because we always talk about small business in the realm of job creators, and this is the cutting edge. But we also know they are the innovators; they are the creators and they are people who help move along a whole lot of agendas.

And, when we do not reward and when we do not honor those programs, we are not only squelching job creation, but we are also mortgaging the future on a lot of things that should be done right now that are not going to be done and will not be tried by much larger organizations.

And I think that is a really important point to be making during this whole discussion because I think a lot of people think this about preferences and this is just about job creation, but it also is about the future.

We know there are so many great small businesses that have grown into incredible enterprises for America. They start small, and because maybe they have been given a little opportunity, they then can jumpstart the future.

Mr. Ford.

Mr. FORD. Two points—one on SBIR programs. We were meeting with several companies that had done Phase I SBIRs, and we wanted to help them leverage the SBIRs in the DOD world. Sometimes what happened was when we wanted to leverage the programs we had program officers being concerned about the future of the SBIR program. So they were concerned about leveraging a Phase II SBIR because they did not know if they could get the Phase III because of funding.

And so concerns occurred when we were looking to leverage that.

On the second point, of lowest cost, technically acceptable, we have recently been hurt when we knew we had the right innovation and we knew we had the right solution. But the government was sort of pinned in with what they had to do, and they could not take advantage of some of the innovations that we had. And so we were looking for almost some way of logically determining when it is the right thing to do.

Certainly, if it is a commodity or something like that, it makes sense. Certainly, if you are looking to move the bar and you are

trying to leverage and do more with less and you need innovation to do something, it is something non-intuitive about lowest cost, technically acceptable if you are trying to push the bar and be more efficient via technology.

So, if there is some way of getting a standard that I think the government could use to be able to say this makes sense to do lowest cost, technically acceptable in these types of venues—I think some of the strategies Mr. Smith talked about. I am assuming that is some of the conversations you guys are talking about.

Senator HEITKAMP. Yes.

Joe.

Mr. MISANIN. Yes. I just want to follow up on my earlier remarks.

So the direct impacts of the sequester can be measured and calculated and determined. However, we are about to be hit by the secondary and tertiary effects.

Right now, we have had restrictions on travel, on training—and we have not been able to hold outreach events. We are canceling our Beyond Phase II SBIR event for the end of the year, normally held at the end of the year. We have over 1,200 matchmaking sessions normally set up with Phase II awardees, with their industry primes, so they can find opportunities for commercialization. Our annual training for the workforce had to be cancelled.

So all these things are having a ripple effect on our ability to find opportunities, do market research and just do a better job of assisting small business——

Senator HEITKAMP. Can I just ask a question?

Mr. MISANIN. Yes.

Senator HEITKAMP. Which is we understand those effects.

But what did the agency do, or what did DOD do, to mitigate those effects—look at lower cost options, look at ways to do outreach that may not be consistent with the traditional programs that you would use to do the outreach?

Mr. MISANIN. Yes. Whenever there is a request now—we can still request outreach events and things of that nature, but the emphasis is more on doing things through web-based tools and virtual type meetings.

Senator HEITKAMP. And how have you found in comparison with traditional outreach versus how you are doing it now?

What is the damage?

Mr. MISANIN. With the SBIR Beyond Phase II event, I mentioned 1,200 face-to-face meetings with the technologists at the companies that need the technology and the small businesses. That is not going to happen over the internet over a three-day period that we have the event. So I do not think you can compare the two, and the effectiveness is going to be much reduced.

Senator HEITKAMP. Okay. Mr. Antoinette.

Mr. ANTOINETTE. The impact that we are seeing directly is twofold. One is paperwork, contracts and payments are beginning to slow. And a small company lives on very narrow margins of cash flow. So, as those get choked a bit or delayed a bit, the impact is direct.

You are trying to figure out then payroll, trying to figure out what you are going to invest in. Are you overstaffed?

Unfortunately, we would have to say goodbye to people, and we do not like doing that.

My entire company would fit in this room, and if I have to say goodbye to 15 people, I know each and every one of them. That is not what you want to do, ever.

You want to double it. You want to make this room smaller.

So our concern is the way the actual wheels are going to be impacted, by the cash flow situations out of the government and the processing of this. And we already know that you folks are under pressure in contracts and contracting.

We are really concerned when they say, well, you have not seen anything yet; wait until July. It does give us a little bit of pause.

Senator HEITKAMP. I want to comment because I think one of the things that we are seeing over and over again is baseline functions that will have to be performed are being delayed or are being done very inefficiently. And so somebody is going to have to cut the check. Somebody is going to have to do that work.

When we lose the ability to efficiently pay the bills or do what we are supposed to be doing, there is a direct casualty to especially a small business who operates on a much lower cash flow function.

Mr. Jordan.

Mr. ROGER JORDAN. Yeah, again, I think that is absolutely right.

One of the first comments I made in my written statement was that it is the delays that we saw leading up to sequestration which was really a killer for small businesses.

Small business do not have the capability to maintain a bench of staff that they anticipate they will need as they wait for an award to come out, and we saw them, therefore, having to cut staff. Where the department would normally have made an award, they just were not confident doing so because they were not sure that the funding stream was going to be there.

I think the flipside of this is that withholding or delaying those decisions even further has an impact on the government in that a lot of times, just by making awards, there are savings built in to new acquisitions over the long run. So, in a sense, the government is also robbing itself by making those delays at the same time it is hurting small businesses.

Senator HEITKAMP. Well, I would make the point that any good business charges you a little extra if you do not pay your bills on time. So how is this actually helping the government to save money when they are operating kind of basic functions inefficiently?

I guess, Mr. Jordan, I see you nodding and, obviously, very concerned from a perspective of OMB when you are not able to do baseline functions efficiently as a result of not having adequate staff.

Mr. JOE JORDAN. Yeah, absolutely. I would both point to the fact that due to the sequester and its meat-axe, across-the-board cut, and the devastating effects we have, ensure that agencies are focused on mission-critical needs and have that mission first of all, but there is no doubt that you have these negative ancillary effects.

We certainly keep small businesses top of mind at all times, and we think about the intersection of some of the negative consequences of sequester and small businesses.

You mentioned payment, and we have heard that. We had worked quite hard as a community to institute what is called Quick Pay, where small business prime contractors got paid in half the time of typical contractors, and that was a big success.

So we expanded it and said we are going to pay all contractors quickly, and then they have the responsibility to pay their small business subcontractors in half the time. And we heard great response to that.

But, unfortunately, due to the cash flow crunch of sequester, as Joe mentioned, the Defense Department had to turn off the quick pay for the larger primes, and therefore, that has a deleterious effect on the small business subs.

So we are very hopeful that we can move beyond the sequester and reinstitute some of those sorts of policies and continue our firm commitment to maximizing our utilization of small businesses, both at the prime and subcontracting level.

Senator HEITKAMP. And the interesting thing is that in all of this, when you look at sequester, I think some people think there are functions that are not going to be done, that there are opportunities that will not be realized. But what people do not realize is that baseline functions that have to be performed by any large organizations are not getting done efficiently. Therefore, we are kind of robbing Peter to pay Paul because there is not net financial gain on behalf of the government.

And I will call on Mr. Ford, but I want to talk about this from two standpoints, which is, one, the disruption of expectations under current contracts. This is where we are right now. This is the uncertainty. We are not getting paid on time.

But the concern that I also have, for small business in particular, is the lack of predictability into the future. So what you might be doing to prepare for a new contract, what you might be doing to prepare for new innovation, new thinking, you have now tapped down.

And the time value of money, the value of time in all of this, in getting this innovation—how have we delayed and how have we troughed that innovation and for what period of time?

I would like comments on that as well.

Mr. Ford.

Mr. FORD. I think I am glad you brought those up. Those are the points I was really looking to make.

One of the things that has affected us was project delays due to funding uncertainty on projects that we were tracking for over a year, and almost two years, where we have put in the research; we put in the time.

I know Mr. Neal and Mr. Vera and Mr. Boshears have said: Get there two years ahead of time. Put in the time. Make sure you get to know folks. Make sure they understand who you are.

And then that particular opportunity never comes out. So that time was wasted.

As a small business, we do not have that type of time to invest that effort.

Another opportunity is potential cuts.

I mean we do some work for the Department of Justice. There were significant cuts in that area, and so we had layoffs also,

where we had people that were doing the job; the customer was satisfied; yet, the cuts had to occur. Options had to not be renewed because of the uncertainty of that particular budget cut.

And so that uncertainty has affected us even as much as, interesting enough, an unanticipated competitor in our market now is large businesses. So the impact to some of the large businesses around the Beltway have made them all of a sudden enter into opportunities that they previously would not have looked at.

So now, all of a sudden, if there is a $20 million or $30 million-opportunity——

Senator HEITKAMP. You are saying it used to be small potatoes to them——

Mr. FORD. Yes.

Senator HEITKAMP [continuing]. And now it may be the gravy?

Mr. FORD. Now this is good meat for them.

[Laughter.]

And I am showing up, and all of a sudden, my mentors and partners are now my competitors.

To government agencies, if they can get Large Business X versus Enlightened for the same price, it is a comfort for them. And that was unanticipated from a competitive analysis perspective.

Senator HEITKAMP. Mr. Antoinette.

Mr. ANTOINETTE. Well, obviously, when you do not have predictability, you really have to be very cautious, especially when you do not have a lot of big cash reserves. So that impacts us as a small business and most of the small businesses I am aware of.

Unfortunately, it has also impacted capital markets, and the availability of capital in general has been impacted. Venture capitalists will not talk to you about defense-style businesses. They were always skeptical. Now it is like you are laughed out of the room.

Banks—so you say go get a bank. Find a bank. Well, if you are bankable, then the banks are looking at the same types of uncertainties and say, well, you know, we are not certain that you are a good risk either.

So it is a two-fold impact. Not only is it an impact on the businesses directly. It is an impact on capital markets, the availability of capital for growth companies which is often equity-based, venture-type, or it is on traditional banking where you are just not going to get a hearing.

So, there, where are you? You are between a real rock and a hard place.

Senator HEITKAMP. I think that this is such a great point about doing things in Congress in regular order, which means that you know basically what the amounts are. Even if these sequestration dollar amounts had been built into regular order, you would know where it is.

I think this uncertainty of knowing where these cuts are coming from and the uncertainty of knowing how the agencies are going to apply the cuts have created tremendous uncertainty for small business, tremendous uncertainty for our contractors. And, as a result we are going to narrow the number of organizations who will be competing for this business and, as a result long-term, will not have the options that businesses have.

And, Kevin, I cannot see the bottom of your name, so you are just going to get called Kevin.

[Laughter.]

Mr. BOSHEARS. Thank you.

Kevin is what everyone calls me anyway.

Senator HEITKAMP. Okay.

Mr. BOSHEARS. Last week I met with a small business who does business with Homeland Security, and he described our current environment as a dark cloud hanging over his head. And that stuck in my mind because I think that is the way it feels to many of us, certainly him.

And I asked him, well, how are you going to handle it? What are you going to do?

And he said, well, I am going to focus on my customers. I am going to focus on my employees. And I am going to try to ride out the storm.

The conversation was telling, and I am glad I had it. And I have not had that descriptive, but I have had similar conversations with many other contractors, like even Mr. Ford.

Senator HEITKAMP. I think—and, Mr. Jenkins or Jordan, if you want to comment on this.

But it just seems to me that it is not just the reduction in expenditures. It is the uncertainty of where these are coming from and what is going to happen long-term.

You do not want to make the adjustments if you think that those dollars are going to be reinstated when we do get back to regular order. We know we have taken a double whammy, and there may be additional dollars.

So how do you weather the storm in the meantime, especially when you are no longer bankable or venture capitalists will no longer look at your innovations?

So I would appreciate your comment.

Mr. JOE JORDAN. I would say three things, Senator, in full agreement.

The first is, yes, there is a reduction. But that is likely, given our fiscal environment, to happen anyway.

But it is the second piece where it is across the board and indiscriminate in the way that the sequester works—the meat-axe that it takes to the budget—as opposed to targeted and focused reductions which we have already done good things around, like reducing management support services by 15 percent—a place where we saw some overspending and we said we are going to focus on that—or strategic sourcing where we can simultaneously increase small business utilization but get some of the same goods and services for lower prices. That is not the way the sequester works.

And then the third piece is just like you said; it causes a lot of this uncertainty. And when we are pushing agencies to do really robust acquisition planning, the market research required to go out and find all of these great small businesses—some of that—you know, there is certainly an impact there both in terms of the resources the agencies have and then the behaviors driven by uncertainty in either acquisition or just budgetary environments at large.

I absolutely agree with you.

Senator HEITKAMP. Mr. Jenkins.

Mr. JENKINS. Yeah, I think——

Senator HEITKAMP. I guess my direct question to you is: What advice do you give small business owners in terms of how to weather this storm or whether there is a light at the end of the tunnel and it is not the train?

Mr. JENKINS. Yes, it is really a tough question.

I mean, one of the things that we certainly look at is how you can enter into strategic alliances and partnerships because as the number of procurement opportunities is dwindling sometimes there could be opportunities to team up with other firms. And so we, as part of the Jobs Act and as part of the National Defense Authorization Act, have put a few things in place.

We have a pilot under the Jobs Act in which we awarded grants to 11 organizations around the country to figure out how they can bring groups of small businesses together that can potentially go after some of the larger procurements—procurements that they may not be able to get because of sequestration.

And also, we are looking at, under the National Defense Authorization Act, a new mentor-protégé program that will affect all small businesses, not just the three that were added under the Jobs Act. Again, we believe that will be critical.

Teaming, joint venturing, strategic alliances—I think are the way to go.

And you mentioned also the lending side. SBA's loan portfolio was affected—affected to the point of over $900 million that will not be made available to small businesses; over 22,000 jobs.

So we really have some challenges in front of us, and we do have to come up with some great ideas.

Senator HEITKAMP. Yes, and I will tell you this; in North Dakota, we have a Bank of North Dakota. You may be familiar with that. It is the only one in the country.

I cannot begin to tell you the significance of the SBA loan guarantees in terms of innovation in our state. We do not shove off all the risk to you all, but sharing that risk on innovation is absolutely critical.

And you can only imagine, I mean, because we will never be able to document the great ideas and the great innovations that might have come had we been able to finance that innovation in a climate that is very difficult given the contraction of capital in the post-financial crisis era, along with banks looking at—especially your local community bank looking at—increased pressure from regulators on excessive risk.

And so this is very concerning to me—that we are contracting capital.

There are number of folks here we have not—oh, Mr. Vera?

Mr. VERA. Yes. Thank you.

I just wanted to echo what some of my colleagues have stated. At USAID, we have improved significantly over the last few years in how we work with small businesses, and we feel we have built some momentum there.

And the sequester, along with the CR and some of the delays, have caused us to pause, and reconsider some of our projected new

procurements because of the budget uncertainty coming down the line.

And so I think what has happened in result is that a lot of our large operations and maintenance contracts, which are generally large business, are continuing, but our new smaller, more innovative types of requirements are being reconsidered, or maybe they are being cut back in scope.

And, secondly, I also wanted to echo what Mr. Ford has said about competition from the larger businesses. We specialize in international development—which is a niche market. That is, we work with many large and small businesses that specialize in this area. Over the past couple of years we have seen a lot more new entries into this market from DOD-type contractors, and so that has caused additional competition for our small business partners.

Senator HEITKAMP. I applaud the Chairwoman for bringing you all together and listening to this discussion because it is so critical in terms of not hitting a trough that is going to go on for four years before we kind of climb out of it. We are doing great work. We are being collaborative.

And so I guess my question is, especially for the agencies, beyond this kind of hearing, have you all kind of gotten together and said let's strategize, in an era of sequestration for the next how many months that we are in this?

And I would like to tell you that I believe that we could fix this tomorrow.

It is not going to get fixed tomorrow. I can guarantee you that, if there is one thing I can guarantee—that the fix is not going to come anytime soon.

So, in that environment, what are you all doing collaboratively among the agencies to begin to address kind of a holding or hovering pattern that could, in fact, sustain the good work you have already done and maintain that until we work our way out of this?

Mr. JOE JORDAN. Well, if I may, you are absolutely right that these types of collaborative discussions are so important, not just during these periods——

Senator HEITKAMP. Right.

Mr. JOE JORDAN [continuing]. But also just to maximize utilization.

So I mentioned in my opening about the White House Small Business Procurement Group, which is something that we started back when I was at SBA. You know, the President cares a lot about this issue, and so he has brought the deputy secretaries of every agency, along with the OSDBUs and sometimes the senior procurement executives, together over at the White House.

And SBA Administrator, Karen Mills, and I are actually co-chairing the next meeting of this just next week. We have kept it going to ensure that whatever the fiscal circumstances, we have a chance to maximize small businesses' utilization.

And then it is really important to hear from folks, not just the agencies but from all around. I had a chance, luckily, to go to Jamestown, North Dakota and engage with a lot of the small businesses there and both the lending and the contracting officers. I will tell you the story about almost getting stranded at Devil's Lake Airport.

But it is really important because we have got a number of viewpoints——

Senator HEITKAMP. Could you share that with FAA and the Central Air——

[Laughter.]

Mr. JOE JORDAN. A number of really tremendous viewpoints from the contractors who do not—right now, we are doing a lot more convening here in town, given the travel restrictions, and yet, our need to make sure that we engage with all these vendors—but it is really important that we continue to figure out ways to collaborate with everyone, both from the agencies and the great firms outside the Beltway.

Senator HEITKAMP. Well—and I think it is very important that—you know, I look at this sometimes from the standpoint of somebody out there who is, obviously, a citizen, a taxpayer, deeply concerned about our deficit, deeply concerned about our opportunity. What are the discussions that we need to have with taxpayers about the effects of something like this that we know long-term will cost us money?

They understand maintenance. They understand that they need to keep things in good working order in order to avoid a catastrophe down the line. And I think that we have not done a very good job talking about how sequestration has resulted, in a very real way, delayed maintenance that is going to cost us money.

And I am not just talking about buildings and machinery. I am talking about this kind of effort, this kind of collaboration, which gets stalled out because we do not nurture it; we do not maintain it.

There was another question?

Oh, there you go, Mr. Jenkins.

Mr. JENKINS. Yes, I just want to add on to what Joe has mentioned.

In addition to the White House Small Business Group—working group—we also have what is called the Small Business Procurement Advisory Council. We meet monthly with all of the 24 CFO agencies. We talk about best practices. They discuss some of the challenges that they are having, and we try to work through some of those issues and talk about some of those policy changes we can make, some regulatory changes we can make that can make it easier for them.

We bring them up to speed on all of the changes. As I mentioned before, the Small Business Jobs Act had 19 changes in it that affect small business, and we are implementing those regulations.

And then NDA, which was signed this year by the President, has a number of new regulations and tools that will hopefully help them going forward.

But the idea is to constantly have that collaboration with them.

Senator HEITKAMP. I guess I applaud all those efforts, but my question is, what more could you be doing to help small business weather this storm, working together or working within your own agency?

And I would be curious about some of the folks who—Ms. Harris?

Ms. HARRIS. Good morning.

Senator HEITKAMP. Good morning.

Ms. HARRIS. When it comes to us working with other agencies, the Department of Energy signed an MOU with the Minority Business Development Agency, a part of the Department of Commerce, specifically for us to focus more on some of the socioeconomic classes that we have not fared well in.

So that is one area that we are working with David Hinson and his team. We are touching a lot of women-owned business, veterans, HUBZones and minority-owned businesses to focus and partner more together.

We have worked not only—after the MOU has been signed, we have done a collaborations between listening sessions for small businesses all across the country. So we have partnered together on a number of other events as well.

So that is helping us to really not only look at, specifically, small businesses in general but look at some of those areas across agencies we should not need to improve, and that is socioeconomic classes.

Senator HEITKAMP. Any of the other agencies want to comment about additional—yes, Mr. Neal.

Mr. NEAL. Sure. The Department of Transportation—one of the ways we look to collaborate is we invite the other agencies to participate in our Small Business Days, which essentially are vending/matchmaking sessions. And so I can say at least every agency who is in this room has participated and been a part of our matchmaking session, in addition to some small business owners—Mr. Ford and Ms. Priester, who have also attended.

And we seem to see a long-term effect in terms of helping businesses grow with that matchmaking session we have at the headquarters. And, of course, it is free of charge.

And so we invite small businesses from all over the country. We tend to have at least 400 to 500 small businesses come to be a part of this opportunity.

Another way to collaborate is we have 11 cooperative agreements through our field offices that are in 11 major cities across the country, and I know they work directly with the agencies too on some of our programming aspects.

And so we have two main programs—one, the bonding education program in which we have a partnership with Surety and Fidelity Association of America, and also, we have a short-term lending program.

And a lot of our lenders work directly with SBA and other agencies as well too.

So we seem to find that working pretty well.

Senator HEITKAMP. Mr. Neal, have you changed anything since sequestration in terms of your outreach or how you look at it?

Mr. NEAL. A lot of our outreach now is web-based.

Senator HEITKAMP. And are you experiencing the same outcome that there is less contact, and it is less efficient and effective contact?

Mr. NEAL. Yes.

Senator HEITKAMP. Okay.

Mr. NEAL. Yes.

Senator HEITKAMP. So sometimes that handshake and that sitting in the room together can really make a difference.

Mr. NEAL. Absolutely. Absolutely. We are always looking for ways to think outside the box, but, yes.

Senator HEITKAMP. Yes. I mean, I think anybody who has done a substantial amount of business will tell you, you can do a lot web-based, but somehow sitting down and having that face-to-face conversation can be much more effective.

So, Joe.

Mr. MISANIN. Thank you.

The importance of the agencies getting together to share best practices cannot be overemphasized because even within the department we have a lot of initiatives that are ongoing and they will not be completed for a while yet. So it is good that we get together, status these things and determine what we can do.

One of the things we recently thought about is the Undersecretary is interacting with the prime contractors and industry to establish kind of a board to monitor the impacts of the sequester on the supplier base, on small businesses in particular, so that we can develop a quick reaction capability. When we see it, we will do something about it.

Senator HEITKAMP. Is there going to be an opportunity to basically document those impacts and then share those impacts, particularly with this Committee?

Mr. MISANIN. Oh, absolutely, once the formal body and process is established. The interagency process is how we will share that information.

Senator HEITKAMP. Right. I mean, I guess when you look at all of the work that is being done kind of piece-mealed, the need to kind of appreciate and understand the innovation that these agencies have taken to try and respond to some of these concerns—that is all good work.

But, for policy purposes, you need it at the mile-high look-down level so you can see the true impact, not just in Transportation or in DOD or in Energy. You can see the true impact on innovation that could be kind of encouraging economic growth that is not being done because of this meat-cleaver approach to budgeting.

I am going to have to go.

And I really just so appreciate this discussion because I think it is critical.

It is critical that the American public understand that what small business does is not just create jobs. But it is innovative. It is creative. It is cutting-edge. It is the places where people think and have a unique relationship to survival that can really drive true opportunity into the future.

The record will be open for another two weeks.

I know that from my standpoint—and the Chairwoman can also share any additional questions that she has—I am very interested in what the agencies are doing to collaborate on how they can minimize the impact, both from the standpoint of current contracts and current obligations, but also future predictability for small business and minimize the impact of the sequester on small business.

Like you said, the large organizations have figured out a way to, all of a sudden, become very interested in what you are doing, and they have a few more people to be reading the Federal Register,

right? They have a few more people to be watching the opportunities than what you do.

So I really want to thank the small business folks who have been here, who have shared their ideas and their thoughts with us.

I want to applaud the agencies who seem genuinely very committed to small business and small business development.

And we look forward to continuing this dialogue as we go through this process.

And I will adjourn the hearing.

[Whereupon, at 11:06 a.m., the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED

Senate Committee on Small Business & Entrepreneurship

Roundtable: "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty"

Peter L. Antoinette
President & Chief Executive Officer
Nanocomp Technologies, Inc.
Merrimack, NH

Opening Remarks

Nanocomp technologies is an early stage 55 person technology company that has cracked the code so to speak with respect to developing a new generation of advanced materials based on carbon nanotubes that are very strong, highly conductive, and extremely lightweight.

For example by adding a few grams (the weight of a paper towel) to body armor we can reduce its weight by 15% - 30% and its thickness by 25%.

This achievement will enable better protection for our ground forces, police, and will have a special benefit for women as they increase their roles in combat.

The same nanotechnology products are conductive replacing heavy copper wire in electrical cables with immediate savings in fuel costs for satellites, military aircraft, and civilian airliners...thousands of gallons / year

We would not be here if it weren't for a very successful 7 year partnership with the department of defense.

Sequestration has put that success in jeopardy.

1. Direct impact...dramatic reduction in Nanocomp business

Began last august....$4 m in gov't contract biz in second half 2011...$1 m in 2012. $8.5m in 2011...$3.5m in 2013

Discretionary accounts...especially r&d are taking the brunt of sequestration cuts.
A message is being sent, we no longer want innovation...
Implementation of sequestration has caused programs to take a full year of cuts in 8 months

Results delay & cancellations of expected DoD biz

Continued uncertainty going forward 2014 and beyond mean additional cuts / delays

Impact: company cash burn has increased and small companies have very thin cash reserves

2. Impact on availbility of capital

Venture capital money avoiding any defense biz

Bankers are skeptical of business projections

Results - venture capital non-existent
banking terms difficult to obtain

Capital is scarce and when available expensive

3. Workforce going elsewhere

Defense biz / manufacturing has no future...
"Google / Facebook" places to be...
Impact: lack of workers to build or sustain biz

Bottom line for small tech manufacturing biz:

Early stage companies will be unable to claw their way out of the valley of death...
Others will be thrown back into the valley as the business delay burns capital resources with little chance of replacement.

Bottom line for the nation:

Engine of job growth is being choked...

Engines of innovation will be stopped or will go elsewhere

Forced to seek non-us sources capital & alternative markets

Small contractors will cease to be source of innovation and superiority for U.S. military

Senate Committee on Small Business & Entrepreneurship

Roundtable: "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty"

Peter L. Antoinette

President & Chief Executive Officer

Nanocomp Technologies, Inc.

Merrimack, NH

Peter co-founded Nanocomp Technologies, Inc. in 2004, and serves as its President and Chief Executive Officer. Prior to founding Nanocomp Technologies, he was the President and CEO of Cambridge Research & Instrumentation Inc. (Woburn, MA), a photonics company, where he led the commercialization of liquid crystal based optical technologies for telecommunications and high performance molecular imaging. Previously, he spent fifteen years with Millipore Corporation (Bedford, MA) a Fortune 500 leader in separations technology, in Sales, Marketing, and as a Vice President and Divisional Manager.

A Mass High Tech All-Star, Peter also is a Director of the New Hampshire High Technology Council; sits on the U.S. Army Natick Soldier Center's Science and Technology Board; is Chairman of the Industrial Advisory Board for the NSF Center for High-Rate Nanomanufacturing (Boston, MA); and a member of United States Senator Jeanne Shaheen's Small Business Advisory Council. He also served on President Obama's National Nanotechnology Advisory Panel for the President's Council of Advisers on Science and Technology; and was selected to address members of Congress, business, and academia at the National Nanotechnology Summit marking the 10th Anniversary of the nation's Nanotechnology Initiative, in Washington, D.C.

He is the holder of four patents, and co-inventor of several pending patents.

Ford Statement

Enlightened, founded in 1999, is an award winning Hubzone certified Small Business Technology firm, specializing in Cyber Security, System Integration and Management Consulting. Headquartered in Washington DC, Enlightened provides these services across DOD, Civilian, and State and Location sectors. Enlightened has over 120 employees/contractors providing services to customers such as US Navy, US Department of Health and Human Services, Office of Personnel Management, Department of Labor, as well as local Government agencies in Washington DC, Illinois, New York and Ohio. Enlightened is a graduated 8(a), a former DOD protégé, and holds a Top Secret clearance.

Sequestration is a critical to Enlightened for many reasons including:

- Project delays due to funding uncertainty
- Cuts and Potential cuts to projects
- Inconsistent government spending patterns
- Large Business competition on smaller procurements

Antwanye Ford, President and Co-Founder of Enlightened, Inc.

Antwanye Ford – President and Co-Founder, Enlightened, Inc.

Mr. Ford is the President and co-founder of Enlightened Inc., an IT consulting firm that specializes in Management Consulting, Cyber Security and Systems Integration services. Enlightened's customers include the US Navy, Office of Personnel Management, US Department of Veteran Affairs, US Department of Health and Human Services (HHS), US Department of Housing and Urban Development (HUD), and the US Department of Labor to name a few. At Enlightened, Mr. Ford is responsible for the following:

- Corporate Vision and Direction
- Business Development
- Strategic Planning
- Corporate Innovation

Mr. Ford has worked in Information Systems for over 20 years, which helped shape his lifelong dream to be an entrepreneur. Mr. Ford started his career at a small defense contractor and later moved to MCI. While at MCI, he held several positions ranging from Systems Analyst to Marketing Product Manager for MCI's Friends and Family®. In his role as a Product Manager, he was responsible for product innovations, promotional development, and systems infrastructure for strategic product support.

In 1994 Mr. Ford moved from MCI to INTELSAT, the world's largest provider of satellite communications. Mr. Ford served as the Director for the Applications Support Organization, encompassing several strategic business units. The department's responsibilities included developing applications, conducting internal consulting projects, supporting software, and building the company's document management infrastructure. At INTELSAT, he also served as a "change agent" for the company. After five and a half years at INTELSAT, he left a successful corporate career to pursue his dream of starting his own company in 1999. He realized it was time to leave when he performed his "80 year-old test".

> ***"When I am 80 and I look back at my life, what regrets will I have? If I have that regret, why not do something about it now?"***

Thus, Enlightened, Inc. was born. Over the years, Enlightened has been recognized with numerous awards and accolades for its dedication, hard work, and innovative solutions. Enlightened was recognized in 2012 by IAC for Outstanding System Software, and by SmartCEO Magazine for

Innovation and Business Management. Enlightened was the recipient of the Innovative Creative Entrepreneur (ICE) Award for the 2010 Outstanding Small Business Award of Excellence from Morehouse College. In 2009, Enlightened was recognized as one of the "Top 100" Minority Business Enterprises by the Center for Business Inclusion and Diversity for the Mid-Atlantic region. In the spring of 2007, for the second consecutive year, the Initiative Competitive Inner City (ICIC) and Inc. Magazine's "Inner City 100" ranked Enlightened on their respective lists of the 100 fastest-growing inner city companies in America.

In 2007, Enlightened was awarded a "Top-Five" honoree at the Excellence.gov awards by the Industry Advisory Council (IAC) for JUSTIS, a system developed by Enlightened on behalf of our client the CJCC. The award was for the system's superior performance in the areas of collaboration and transformation. In the fall of 2006, Enlightened's growth and success were chronicled in a front-page article in The Washington Post. Enlightened was named "2005 Small Business of the Year," by the DC Chamber Of Commerce. In 2004, Inc. Magazine named Enlightened one of the fastest-growing companies in America in its 23rd annual issue of the Inc. 500 list, ranking Enlightened 264th. As Entrepreneur Magazine stated in its November 2003 issue, "Enlightened is one of the best and brightest companies in America."

Also, in 2005 Mr. Ford was selected by the editorial board of Inside the Minds as an author in the recently released book, Inside the Minds: CEO Best Practices. Inside the Minds: CEO Best Practices - Skills, Values, & Strategies for Successful CEOs features top CEOs representing some of the nation's leading companies. Mr. Ford contributed a chapter to the book entitled, "The Spiritual Side of Leadership".

Mr. Ford is heavily involved in his community and was a founding member of Myth Men, a non-profit organization with the objective of destroying negative myths about young Black men. Mr. Ford currently serves As Chair of the Board of the Directors for DC Chamber of Commerce. He also serves on the Presidential Council for the US Black Chamber, Inc as well as on the Board for the Downtown Clusters Geriatric Day Care. He was formally on the Board of Directors for DC Works, the Network for Teaching Entrepreneurship (NFTE) and the Washington Math Science and Technology Charter High

School. In addition, he works with the Teen and Youth Ministry at his Church with the Leukemia and Lymphoma Society and the American Heart Association in Washington, DC.

Antwanye Eric Ford was born in Washington DC. Mr. Ford received a B.S. in Computer Science and Information Systems and a M.S. in Information Systems with honors both from the George Washington University (GWU).

Mr. Ford's corporate philosophy is based in his faith, "to whom much is give, much is required".

OPENING STATEMENT OF

JIYOUNG PARK
ASSOCIATE ADMINISTRATOR FOR THE OFFICE OF SMALL BUSINESS UTILIZATION
U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

JUNE 20, 2013

Chairman Landrieu and the Committee on Small Business & Entrepreneurship, thank you for inviting me to speak on behalf of U.S. General Services Administration and the effect sequestration is having on small business contracting within GSA.

To date, GSA is exceeding its 30 percent agency-wide small business goal and is exceeding two of four small business socio-economic goals for Fiscal Year 2013. GSA goal progress to date is below:

Goal Category	Eligible Dollars	Actual Dollars	Goal %	Actual %
Small Business	$2.6B	$809.0M	30 %	31.57 %
Small Disadvantaged Business	$2.6B	$371.8M	5 %	14.51 %
Women Owned	$2.6B	$150.0M	5 %	5.85 %
Service Disabled Veteran Owned	$2.6B	$64.8M	3 %	2.53 %
Certified HUBZone Small Business	$2.6B	$50.1M	3 %	1.96 %

GSA's Office of Small Business Utilization has robust acquisition support mechanisms in place to ensure small businesses are receiving maximum practicable opportunity to participate in GSA contracts. Such mechanisms include acquisition plan reviews, Form 2689 Small Business Analysis Record reviews, subcontracting plan reviews, and

Procurement Management Reviews that monitors compliance with small business procurement rules and regulations.

GSA leadership is committed to GSA's small business goals, and progress is discussed during senior leadership team meetings conducted by the Acting Administrator. GSA's Office of Small Business Utilization senior management and its OSBU representatives are engaged in one-on-one meetings with leadership of GSA's buying organizations not meeting its goals. GSA OSBU is also working with the Office of Communications and Marketing on a large internal communications push for National Small Business Week.

GSA remains committed to maximizing small business opportunities and meeting and exceeding the Agency's small business contracting goals and assisting customer agencies with doing the same.

Jiyoung Park - Associate Administrator for Small Business Utilization, US General Services Administration

Jiyoung Park was appointed Associate Administrator of the U.S. General Services Administration's Office of Small Business Utilization effective October 13, 2009.

In her role, Park manages and oversees GSA's small business policies and programs. The Office of Small Business Utilization strives to expand opportunities in federal government procurement for small, disadvantaged, woman-owned, historically under-utilized business zone, and service-disabled veteran-owned small businesses.

Park's office provides many essential resources to help small businesses compete, including monthly webinars and events around the country on how small businesses can obtain a GSA schedule contract and how to market to the federal government.

Before coming to GSA, Park worked at Touchstone Consulting, where she led project teams supporting communications, strategy and program management efforts for clients at the U.S. Agency for International Development, the National Science Foundation and the U.S. Small Business Administration.

Park has a bachelor's degree from Georgetown University and a master's degree in organization development from George Mason University.

U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OPENING STATEMENT OF

CALVIN JENKINS
DEPUTY ASSOCIATE ADMINISTRATOR FOR THE OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

JUNE 20, 2013

Chair Landrieu, Ranking Member Risch and Distinguished members of the Committee, thank you for inviting the U.S. Small Business Administration (SBA) to participate in this Roundtable discussion.

I am Calvin Jenkins, Deputy Associate Administrator for Government Contracting and Business Development at the U.S. Small Business Administration. I have had the privilege to serve small businesses for over twenty-seven years at the SBA, the last eight of which I've served in my current role.

Contracting with small businesses is one of the most important ways for the federal government to create jobs. The United States government buys over $400 billion each year, making it the largest buyer in the world. And at the SBA, we are strongly committed to providing access and removing barriers for small businesses.

Contracting with small businesses is a win-win. Small businesses—who are drivers of the American economy—get the revenue they need to grow their businesses and create jobs. Meanwhile, the federal government and large prime contractors have the opportunity to work with the most innovative and nimble companies in the country.

The SBA plays an essential role in helping small businesses obtain access to Federal contracting opportunities. Our top priority at the SBA is to maximize opportunities for small businesses and ensure that the benefits of our programs flow to the intended recipients. My office works each day to provide increased opportunities for eligible small businesses to compete for and win federal prime contracts, as well as subcontracts.

The Office of Government Contracting and Business Development administers several programs and services that assist small businesses in meeting the requirements to receive government contracts, either as prime contractors or subcontractors. These include actively certifying 8(a) Business Development and Historically Underutilized Business Zones (HUBZone) firms as well as administering the Certificate of Competency, the Non-Manufacturer Rule Waiver, and the Size Determination programs. The office also oversees the Women-

Owned Small Business Program and the Service Disabled Veteran Owned Small Business Program and plays a major role in the formulation of Federal procurement policies that affect small businesses.

The SBA also oversees the Federal government's efforts to meet the statutorily mandated small business goals, which include for prime contracting dollars, awarding: 23% to Small Businesses 5% to Small Disadvantaged Businesses 5% to Women-Owned Small Businesses 3% to Service-Disabled Veteran-Owned Small Businesses 3% to Historically Underutilized Business Zone (HUBZone) firms.

We oversee and manage the Small Business Goaling process, which includes three primary phases:

1. Negotiating small business contracting goals with the 24 Chief Financial Officer Act agencies and ensuring plans are developed to meet the goals;
2. Tracking agencies' progress and providing ongoing training and support to their acquisition staff and small business teams throughout the year; and
3. Conducting a thorough review of contracting data that culminates in the publication of the annual Goaling Report and Scorecards

SBA is currently tracking and monitoring agencies' small business contracting performance closely. And while the extent of the adverse impact on small businesses cannot, at this point in time, be fully quantified, we do know that the Sequester, simply put is bad policy. We know the economic uncertainty created by sequestration prevents small businesses from moving forward by pursuing new opportunities to expand due to the uncertainty of this environment. Under sequestration, there are both fewer federal contracts for small businesses to win and less technical assistance to help small businesses compete for those opportunities. Finally, as result of sequestration, DoD announced that it would have to curtail "Quickpay" for some of its contractors, threatening the cash flow of small business subcontractors that previously benefited from the expanded policy.

Despite these challenging conditions for both small businesses and agencies, the SBA and our sister agencies have remained committed to maximizing contracting opportunities for small businesses. The SBA has stayed in constant contact with each agency's Office of Small and Disadvantaged Business Utilization to find out how we can best support the agencies and address any issues they have with their small business contracting work. We also chair the monthly Small Business Procurement Advisory Council meetings. Our Procurement Center Representatives (PCRs) , SBA staff that work directly with contracting officers at the largest buying activities, offer support and monitor set-asides and conduct outreach to small businesses.

Additionally, through the White House Small Business Procurement Group, the Obama Administration and the SBA continue to marshal an unprecedented amount of resources to hold the major federal agencies accountable for engaging small businesses. SBA and the Office of Federal Procurement Policy regularly chair these meetings with senior leaders from the 24 CFO Act Agencies to discuss progress on small business goals and share best practices. In fact, the next White House Small Business Procurement Group meeting is Wednesday, June 26th, and we have allotted significant time to discussion the impact of sequestration on small business contracting as well as share agency best practices.

We thank you for this opportunity to share our approach and work to support small business contractors. We appreciate your continued commitment to supporting small businesses through government contracting and look forward to continuing to partner with you on this critical effort. I am happy to answer any questions you may have.

U.S. Small Business Administration

Biography

Calvin Jenkins
Deputy Associate Administrator for
Government Contracting & Business Development

Calvin Jenkins was appointed Deputy Associate Administrator for Government Contracting and Business Development by the Administrator of the U.S. Small Business Administration in October 2005. He is the Small Business Administration's top career senior executive for government contracting and business development programs. In fiscal year 2010, small businesses received federal prime contracts totally more than $97 billion and more than $70 billion in subcontracts. Mr. Jenkins is responsible for overseeing the administration of the umbrella office with jurisdiction over the Agency's offices of Size Standards, HUBZone, Government Contracting, and Business Development/8(a).

Prior to his current appointment, Mr. Jenkins served as the Deputy Associate Deputy Administrator for Capital Access at the U.S. Small Business Administration. In this capacity he was responsible for administering the Agency's commercial loan programs, the Certified Development Company (504) Program, Small Business Investment Company Program, and the Microenterprise Development Program. In fiscal year 2005, these programs had combined loan approvals totaling more than $20 billion.

Other management positions held by Mr. Jenkins includes the Associate Administrator for Field Operations, District Director for the Agency's Washington District Office, Associate Administrator for One Stop Capital Shops, Associate Administrator for Minority Small Business and Capital Ownership Development, Assistant, Administrator for Administration, and Director of the Office of Industrial Assistance.

Mr. Jenkins has been the recipient of several government service awards, including the Small Business Administration's "Distinguished Service Award" and the 1998 and 2004 Presidential Rank Award of "Meritorious Executive."

He is a native of New York and holds a bachelor's degree in economics and urban geography from the City College of New York.

Department of Energy
Washington, DC 20585

June 18, 2013

Senate Committee on Small Business and Entrepreneurship
OSDBU Roundtable Discussion
June 20, 2013

INTRODUCTORY STATEMENT
Dot Harris,
OSDBU Director
Department of Energy

Madame Chairwoman Landrieu:

The Department of Energy (DOE) is indeed concerned regarding the impact of sequestration on our contract spending. DOE is committed to supporting small businesses as we carry out of mission critical obligations to our nation. DOE is structured under a management & operating (M&O) model which awards roughly 80 percent of its procurement base to large prime contractors who run our national laboratories and field sites. This model affords the majority of DOE's small business spend to fall under our M&Os as subcontracting.

The Department of Energy (DOE) ranked #2 only to the Department of Defense (DOD) with a nearly $25B procurement base in 2012. DOE ranked #4 of the 24 agencies in its overall (prime & subcontracting) Small Business totaling $6.4B; ranked #10 in prime Small Business contracting totaling $1.3B. DOE procured over $8.1B from small businesses in 2011 ranking #2 only to DOD in overall Federal spending. This means 33 percent of our total spend in 2011 and 26 percent of our total spend in 2012 went to small businesses.

I would like to highlight a number of actions and measures the Department has taken since 2012 that will help us significantly improve our overall small business performance:

1. The Office of Small and Disadvantaged Business Utilization (OSDBU) led the issuance of the Department's landmark Small Business First Policy - directs the Department to focus on market research best practices and increasing utilization of our small business multiple award contract vehicles.

2. The OSDBU led the inclusion of the Small Business Utilization Standard in Performance Plans – Secretary Steven Chu sanctioned the insertion of a small business utilization standard in annual performance plans of senior executive service employees who impact small business achievement.

3. The OSDBU automated the Small Business Scorecard and enhanced the Small Business Dashboard (iPortal) and updated our website to include a "How to Do Business with DOE" video. These initiatives are increasing the visibility of the small business program and improving the morale and effectiveness of Small Business Program Managers (SBPMs).

4. The OSDBU secured the services of a resident Small Business Administration Procurement Center Representative (SBA PCR) –ensure market research has been performed substantially in advance of an acquisition entering the procurement cycle.

5. The OSDBU signed a MOU with the Minority Business Development Agency to improve the pipeline of sophisticated small businesses pursuing the Department's opportunities.

6. The OSDBU expanded the Department's Mentor Protégé Program to encourage effective partnerships and growth of our small businesses.

7. The OSDBU and our affiliated SBPMs have participated in a number of socio-economic outreach events.

The DOE OSDBU office obtain new leadership in 2012: my Senate confirmed position as Director of the Office of Economic Impact and Diversity, an Assistant Secretary level position reporting directly to the Energy Secretary affords me a direct access to senior management throughout the Department. I serve as the OSDBU Director and have committed to fulfill my responsibilities to my utmost ability. I hired John Hale, III is my OSDBU Deputy Director who is an SES with experience working with small businesses. Our newly appointed Energy Secretary, Dr. Ernest Moniz is very committed to small business and has given us full support in our efforts.

The Honorable Dot Harris
Director of the Office of Economic Impact and Diversity
U.S. Department of Energy

Dot Harris was nominated by President Obama to be the Director of the Office of Economic Impact and Diversity at the United States Department of Energy. She was confirmed by the U.S. Senate on March 29, 2012. Ms. Harris brings nearly 30 years of management and leadership experience to this position, having served at some of the world's largest firms and leading a successful energy, IT, and healthcare consulting firm.

As an Assistant Secretary at the Office of Economic Impact and Diversity, Ms. Harris leads the Department of Energy's efforts to ensure minorities and historically underrepresented communities are afforded an opportunity to participate fully in our energy programs. Ms. Harris oversees a corporate funding strategy for minority institutions, develops the current and future Departmental workforce, works closely to develop small business contracting opportunities at the Department, and protects the civil rights of Departmental employees and recipients of funding from the Department.

Ms. Harris brings a wealth of knowledge to this work, having been deeply engaged in the energy sector, small business innovation, and strategic partnerships. Previously, Ms. Harris was the President and CEO of Jabo Industries, LLC, a minority-woman owned management consulting firm concentrated primarily in the energy, information technology and healthcare industries.

Ms. Harris has also served as an executive at General Electric Company (GE) and held a number of leadership positions in GE's Energy and Industrial Systems businesses. After joining GE in 2000, as the E-Business Leader for Engineering Services, Ms. Harris was critical in expanding GE's business operations and energy sector growth. GE tasked her with key operations roles, including responsibility for the North Region power services businesses, responsibility for the Central U.S./Canada's integrated power generation, and, beginning in 2009, oversight over all marketing for GE's industrial businesses as GE's Global Marketing Leader.

Before joining GE, Ms. Harris was an officer and Vice President of Operations & Production for ABB Service, Inc. She also spent twelve years as Field Services Engineer and Services Manager with Westinghouse Electric Company.

Ms. Harris holds a B.S. in Electrical Engineering from the University of South Carolina in Columbia, South Carolina and a M.S. in Technology Management from Southern Polytechnic State University in Marietta, Georgia.

Statement of Mauricio P. Vera
Director of the Office of Small & Disadvantaged Business Utilization (OSDBU)
at the U.S. Agency for International Development

Senate Committee on Small Business and Entrepreneurship
Roundtable on "Sequestration: Small Business Contractors Weathering the Storm
In A Climate of Fiscal Uncertainty"

June 20, 2013

Madam Chairwoman and distinguished members of the Committee, thank you for inviting me to participate in the roundtable discussion this morning. My name is Mauricio Vera and I am the Director of the U.S. Agency for International Development's (USAID) Office of Small and Disadvantaged Business Utilization (OSDBU). I also currently serve as the Chair of the Federal OSDBU Directors Interagency Council.

I'd like to first thank you and the members of your staff for organizing this roundtable to allow agencies an opportunity to share their perspectives on this important issue. As OSDBU Directors, we are all passionate about the work we do advocating for small business consideration in the federal contracting process. Similarly, we are equally concerned about the impact that reduced budgets and current, stark fiscal realities are having on our small business partners.

For the past several years, USAID has strengthened its small business contracting record and continues to demonstrate commitment to meeting its goals. We achieved our overall small business goal each of the past two fiscal years and we are on track towards achieving our FY 2013 goal as well. With regard to the Small Business Administration's Small Business Procurement Scorecard, we received an "A" grade for Fiscal Year (FY) 2011, after receiving a "C" in FY 2010, and an "F" in FY 2009. We have yet to receive our grade for FY 2012, but we expect to receive a high grade.

Our improvements are a direct result of a comprehensive Agency-wide procurement reform strategy which began in 2010 as an extension of our "USAID Forward" initiative. USAID Forward is a series of operational reforms designed to improve the way we do business, strengthen our capacity to achieve high-impact development and make better use of our resources. A key objective of USAID Forward is to increase competition and broaden our partner base— increasing the use of small businesses both as prime and subcontractors. Our strategy included the design and implementation of a mandatory small business training program for all acquisition staff; enhanced tracking of small business accomplishments by organizational unit; holding management and staff accountable for results; and establishing an Agency-wide small business recognition program to highlight outstanding accomplishments by Agency staff.

The heightened attention to small business has continued into FY 2013. In FY 2013, USAID established, for the first time, an internal small business goaling program for all our bureaus and offices with domestic obligations greater than $5 million. We also lowered the dollar threshold for OSDBU approval of new acquisitions from $150,000 to $25,000 to ensure USAID is meeting its obligations for simplified acquisitions. In fact, USAID's Deputy Administrator Donald

Steinberg recently convened a special meeting of the senior leadership of USAID's bureaus and independent offices to review our progress toward meeting our FY 2013 goals and to share best practices in small business utilization. We are confident that these efforts, coupled with the continued implementation of our comprehensive small business strategy, will result in continued success in achieving our FY 2013 small business goals.

Despite this year's sequestration-related spending cuts, we have made every effort to mitigate the impact on our small business partners. So far this fiscal year, it appears that sequestration's impact has been limited for both our small and large business partners, given that many contracts were awarded prior to sequestration. However, should this situation persist into FY 2014 and beyond, we believe it will have a significant impact, as budgets shrink and future acquisitions are affected. The potential impact in FY 2014 and beyond could be significantly worse for small businesses, as larger operations and maintenance contracts may continue to be funded (albeit at reduced levels), but smaller innovation and new technology efforts—sectors where small businesses tend to thrive—could be stalled or delayed indefinitely.

We are also concerned that some other issues may not surface for another 12 to 18 months. For example, long-term sequestration may exacerbate some of the very issues that we have been working toward correcting in our small business efforts like bundling products and services to offset the administrative costs to issue and administer individual awards; and reductions in large prime contractors awarding subcontracts to small businesses. As a result, large businesses may be more inclined to keep tasks in-house instead of subcontracting to small firms.

Another notable concern for our Agency is the impact of the Office of Management and Budget's government-wide goal of reducing spending on management support services by 15 percent. Given that USAID has historically awarded these types of contracts to small businesses, we expect them to be directly impacted by this mandate.

Despite these concerns, our primary mechanism for monitoring and mitigating the potential impact of sequestration-related cuts is continuous communication with our partners, formally and informally. We know there is significant anxiety surrounding budget cuts and we are working to provide accurate information as it becomes available.

Thank you again for the opportunity to participate in this roundtable. I look forward to your questions.

MAURICIO P. VERA

Bio

Mauricio P. Vera is a career member of the Senior Executive Service and serves as Director of the U.S. Agency for International Development's (USAID's) Office of Small and Disadvantaged Business Utilization (OSDBU). In this role, Mr. Vera leads USAID's efforts to provide maximum opportunities for small businesses to participate in agency contract awards through outreach, education, and creative procurement initiatives. Under Mr. Vera's leadership, USAID achieved significant and unprecedented increases in its small business accomplishments. Specifically, USAID earned an "A" grade from the SBA on its SBA scorecard for FY 2011, a significant improvement from the "C" grade it received in FY 2010 and the "F" in FY 2009.

Mr. Vera was recently re-elected to serve as Chair of the Federal OSDBU Directors Interagency Council for FY 2013, after having also served in this capacity in FY 2010 and 2011.

From 2001 to 2008, Mr. Vera managed the Small Business Program at the Nuclear Regulatory Commission (NRC). From 1993 to 2001, Mr. Vera established and managed the Smithsonian Institution's Supplier Diversity Program. Mr. Vera, a native of Chile, has an MBA from George Mason University and a B.S. degree in Agricultural Economics from the University of Maryland.

STATEMENT OF
WILLIE SMITH
SENIOR PROCUREMENT EXECUTIVE
UNITED STATES DEPARTMENT OF TRANSPORTATION

FOR THE

ROUNDTABLE DISCUSSION "SEQUESTRATION: SMALL BUSINESS CONTRACTORS WEATHERING THE STORM IN A CLIMATE OF FISCAL UNCERTAINTY"

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
UNITED STATES SENATE

June 20, 2013

Chairman Landrieu, I appreciate the opportunity to participate in today's roundtable discussion regarding sequestration and small businesses. The Department of Transportation supports providing opportunities and promoting economic growth for all businesses, while especially encouraging and assisting small business entities. To that end, even in austere funding environments (to include sequestration-related funding cuts), the Department's procurement community remains committed and focused on the inclusion of small businesses in its acquisition processes. We continue to seek out ways to preserve procurement opportunities for small businesses to the maximum extent practicable.

One of my most important functions as the Department's Senior Procurement Executive is to facilitate an acquisition environment that supports the timely delivery of "best value" products and services to support the Department's mission, while maintaining the public's trust and fulfilling public policy objectives. I am ever mindful of the role that small businesses play in my ability to accomplish that function. Small businesses continue to provide the Department access to some of the most innovative companies in our supply chain.

In Fiscal Year 2012, the Department contracted for nearly six billion dollars in goods and services through federal direct contracts. In awarding those contracts, we remained committed to effectively implementing small business programs within the Department. Through forums such as our Strategic Acquisition Council, we promoted efforts to ensure that contracting as well as program and technical personnel maintained knowledge of small business program requirements and took all appropriate action to increase participation in the Department's contracting processes by small businesses. As a result of these efforts, the Department is poised to exceed its Fiscal Year 2012 goals for contracting with small and disadvantaged businesses. This means that a significant portion of those six billion dollars in Fiscal Year 2012 contracting dollars will have gone to small businesses.

As we continue to drive more effective and collaborative "advanced acquisition planning", training of acquisition staffs, market research, and outreach to small businesses, I expect that we will continue to realize success in contracting to small businesses. Whereas our efforts thus far continue to produce encouraging results, austere funding environments and the continued need

for new, innovative, timely, and best-value products and services require a continued and sustained engagement with small businesses. I look forward to participating in today's roundtable discussion to explore opportunities and best practices in this area.

WILLIE H. SMITH

Senior Procurement Executive

United States Department of Transportation
Office of the Secretary

In October 2010, Willie H. Smith officially assumed the responsibilities of Senior Procurement Executive for the United States Department of Transportation (DOT). He is the official responsible for the management direction of all DOT procurement systems and programs. His responsibilities encompass implementation of the full range of procurement policies, regulations, and standards applicable to the Department.

Prior to this assignment, Willie served as Director, Office of Acquisition Management for the Federal Highway Administration (FHWA). He was responsible for overseeing the full range of greater than one billion dollars of annual procurement services performed by the Office of Acquisition Management, including the development of FHWA procurement policy, planning and procurement programs, the recruitment and development of potential contracting sources, and the provision of the supply items required for the daily operation of the FHWA technical offices.

Before assuming the above assignment, Willie served as a Senior Program Analyst in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. In this capacity, he provided acquisition management oversight for Major Defense Acquisition Programs for the Departments of Air Force, Army, and Navy. He facilitated policy development and ensured the successful planning and integration of cost, schedule, and technical aspects of acquisition programs by promoting coordination, integration and mutual understanding within the Department of Defense (DoD), between Defense agencies and other Federal Agencies, and with International Cooperative Programs and Allied Nations.

Just prior to his position with the Office of the Under Secretary of Defense, Willie served as Assistant to the Deputy Assistant Secretary of the Navy for Air Programs. He provided recommendations and guidance in the evaluation of the politics, institutions, and actors involved in the agenda-setting, formulation, and implementation of Navy and DoD acquisition, procurement policy, and budget.

In addition to the aforementioned, Willie has served in an assortment of other leadership capacities within the Navy including Deputy Program Manager for the Navy's Defense Suppressions Systems Program office, Acquisition Deputy to the Program Executive Officer for Tactical Aircraft programs, Operations Officer for the F/A-18 E/F program, and Program Manager for the $3 billion Finland F/A-18 Foreign Military Sales program.

Willie is a graduate of Fayetteville State University with a Bachelor of Science degree in Business Administration and Management. He holds two Masters degrees; a Master of Public Administration degree with concentrations in Financial Management and Government Contracting; and a Master of Science degree in National Resource Strategy. Willie also holds a Doctorate of Management and Organizational Leadership.

He has received numerous performance and honor awards including the FHWA Administrator's Award for Superior Achievement, the Navy's Civilian Meritorious Service award, the Secretary of the Navy's Acquisition Reform award, and the Department of Defense Acquisition Excellence Award.

6-20-2013

Statement of Roger Jordan
Vice President of Government Relations
Professional Services Council
During the Senate Small Business and Entrepreneurship Committee
Roundtable Entitled
"Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty"

Chairwoman Landrieu and members of the committee, thank you for hosting this roundtable today to focus on the important topic of sequestration's impacts on small businesses. Without question, and as expected, small businesses have been adversely affected, but the cause is likely more attributable to overall fiscal uncertainty than it is to sequestration specifically.

Founded 40 years ago, PSC is the voice of the government professional and technical services industry. PSC's more than 350 member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association's members employ hundreds of thousands of Americans in all 50 states. Nearly one-third of the PSC member companies qualify as small businesses under their primary NAICS code.

The continuous unclear budget picture complicates the ability of the government and industry to effectively plan for changing priorities. And while austerity is unavoidable, the lack of predictability and consistency of federal budgets is much more detrimental than clearly articulated funding reductions. Small businesses are disproportionately negatively impacted by decreased budgets, funding and programmatic uncertainty, and shortsighted efforts to further drive down costs. Typically they have less ability to endure decreased margins, maintain "bench" staff through an extended procurement cycle, and are often reliant on fewer contracts as a source of revenue than are larger firms.

PSC member companies are reporting that, as a result of the budget uncertainty, federal agencies are delaying important decisions. Most importantly, with regard to federal acquisitions, agencies are delaying contracting awards. Why? As we saw in the civilian agencies in the first quarter of FY13, in anticipation of the January 2, 2013 sequestration trigger, agencies either didn't have the confidence that a long-term funding stream would be available to fund the contract, or that significant funding would force a shift in priorities. As a result, the impact of these delays has a much greater effect on small businesses than it does on larger ones.

Businesses of all sizes make considerable investments in building their internal resources and capabilities in anticipation of solicitations and contract award. In some cases, this means retaining key

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personnel in hope that they will soon be able to be put them to work on a newly awarded contract. When delays are drawn out, small businesses simply do not have the flexibility to reassign personnel or absorb the cost of non-billable staff. Ironically, it is this behavior that is preventing the government from realizing future savings. Rather than delaying awards or bridging contracts, the government could achieve savings simply by awarding contracts in which competition has already demonstrated the potential for cost savings to the government.

Furthermore, a narrow focus in search of short-term savings is driving other poor behaviors within the agencies. For example, lowest-price technically acceptable (LPTA) source selection criteria is reportedly being used more frequently in inappropriate circumstances. While the Federal Acquisition Regulations generally states that LPTA should not be used for complex services, we are seeing that such source selection methods are being used for precisely this type of work. As a result, the government is jeopardizing its ability to procure true best-value solutions and may end up paying higher costs in the long run. For small businesses that offer niche solutions to their government partners, an over-reliance on LPTA discourages innovation and acts as a barrier to bringing quality solutions to the government. Again, while it is small businesses that experience the direct hardship as a result of this practice, the negative impacts on government missions could also be significant.

Lastly, small businesses are just beginning to see official and unofficial actions as a result of sequestration, including increased pressure for companies to work at risk and being directed to "furlough" their workforce at the same rate that the government customer is furloughing its employees, even though the work is being performed off-site and on a fixed-price basis.

Many of the legislative and regulatory changes over the past three years designed to provide additional opportunities for small businesses to compete for and win federal contracts may not be able to be realized under the current fiscal uncertainty.

These are just a few examples of how sequestration and a lack of budget clarity are impacting small businesses. Thank you again for the invitation to participate today.

ROGER J. JORDAN

Roger Jordan joined the Professional Services Council (PSC) in April 2008 as the Director of Federal Affairs and in 2011 became the Vice President of Government Relations. In his role, Roger is primarily engaged in enhancing PSC's relationships with procurement and operational leadership within the federal agencies and he leads PSC's legislative affairs efforts, which include analyzing and summarizing legislation, and providing balanced perspectives on issues impacting federal acquisition policy. Roger also supports PSC's regulatory comment process and communications initiatives as they relate to federal affairs.

Roger joined PSC after working for ten years at the American Council of Engineering Companies as Executive Director of the Small Firm Council and the Director of ACEC's International and State Legislative Programs. Roger's work with the international and small business portfolios involved a substantial focus on federal contracting issues, as well as immigration, healthcare, tort reform, and tax and regulatory issues.

Roger is a graduate of the University of Delaware and currently resides in Springfield, VA, with his wife, Amy, and their two children.

Testimony of Nicole Priester, President and CEO of ESI Before the COMMITTEE ON SMALL BUSINESS & ENTREPRENUERSHIP June 20, 2013

Good morning Madam Chairman Landrieu, Ranking Member Senator Risch, and members of the Committee. Thank you for inviting me to speak this morning.

My name is Nicole Priester and I am the owner of Encore Solutions, Inc. (ESI) an 8(a), Woman-Owned Small Business headquartered in Rockville, MD. ESI has been in operation since 2001, has 15 employees, and annual revenue of $1M.

Our past performance includes providing Engineering, Program Management, Administrative, and Technology Integration support services to the Navy, Army, Department of Treasury, Department of Transportation, and the Food and Drug Administration. Our contracted opportunities have been in the role of both Prime and Subcontractor.

In reference to the theme "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty", I can attest to the difficulty of sustaining a business during these times. In fact, my challenges with Sequestration began in August 2012 on my Navy contract before they officially took effect with the government. In this case, my Prime withheld $1M of newly awarded revenue from an extensive recompetition due to the anticipated government cutbacks. I was left with no recourse or sufficient explanation and had the unpleasant task of informing potential hires that I would not be able to extend them an offer of employment as planned.

Later in the fall of 2012, the government hired two of my employees directly on an Army task. I was told the positions held by these individuals were reclassified as long term efforts, and it was in the best interest of the government to convert them. This transition happened quickly and once again, ESI lost revenue without the opportunity to replace it.

To add to my testimony, I received notice on Monday of this week that the Army installation we support will enact a mandatory furlough every Friday beginning

July 16 through September 30, 2013. My employees will not be able to earn a full paycheck and our revenue will be reduced during this time period.

In conclusion, subcontracts awarded to small and mid-tier businesses are the first to be affected as prime contractors cancel subcontracts to small business and keep all work for themselves to preserve their financial viability and satisfy the interest of their stockholders.

Yes Madam Chairman, Ranking and Committee members, it is difficult to weather this storm, but I believe in the mission of this committee and I encourage your continued support for small and mid-sized business sustainability to secure a strong, diverse, and competitive federal marketplace.

Thank you.

Nicole E. Priester – President and Chief Executive Officer

- *President and Chief Executive Officer, Encore Solutions, Inc., a professional management and technical consulting firm*
- *Senior Executive with documented and successful professional program and contract management experience*
- *Directs and manages engineering services and technical support services contracts, with total values up to $1.6M*

Education

Pursuing PhD, Business and Technology, Capella University
Master of Arts, Organizational Management, The George Washington University
Bachelor of Science, Marketing, Southern University and Agricultural & Mechanical College

Chronological Experience

2001 to Present, President and CEO, Encore Solutions, Inc.

- Ms. Priester manages all company operational activities to include administration, finance and payroll, human resources, contract administration, business development and marketing. She develops strategic business alliances, and manages the company financial lines of credit. She directly supervises all company employees, and holds full P&L responsibility. She negotiates, prepares and executes all contracts for the Corporation. She increased revenues by an average of 81% per year over the last three years. Ms. Priester is the Corporate Facilities Security Officer (FSO). Her duties include authorization of federal government visit requests and certification of employee clearances.
- Ms. Priester has participated in several organizations that focus on women's and minority business initiatives. The following information summarizes her recent involvement.

CENTER FOR WOMEN'S BUSINESS RESEARCH FORUM. Ms. Priester is a participant in a multi-year national research study to accelerate the growth of businesses owned by women of color. The study is conducted by the Center for Women's Business Research and Babson College. The objective is to uncover the barriers and challenges that women of color face in the pursuit of business growth and to create both individual, community, and ultimately, national action plans to overcome those barriers. The research will culminate in a 2008 national conference where public- and private-sector policy recommendations generated by the research will be announced)

"MAKE MINE A $MILLION". Ms. Priester was recently a finalist in the nation-wide "Make Mine A $Million" competition. Make Mine a $Million Business is a program of Count Me In for Women's Economic Independence — and founding partner, OPEN from American Express®. The program provides a combination of money, mentoring, marketing and technology tools that women entrepreneurs need to help grow their businesses from micro to $millions.

LEVANTAMOUS. ESI President is participating in Levantamos (The Center for Afro Brazilian-American Cooperation). Ms. Priester is a participant in the 2007 Women in Business Exchange, a cross-cultural professional exchange focusing on economic development in Brazil, funded by the U.S. Department of State. Levantamos' mission is to develop partnerships between African-Americans and Afro-Brazilians focused on eliminating inequality and to provide technical and financial assistance to empower Afro-Brazilian community-based organizations.

TOP 100 MINORITY BUSINESS ENTERPRISE AWARD. The company's President and CEO, Ms. Nicole Priester, has been selected to receive the prestigious Top 100 Minority Business Enterprise Award. The University of Maryland University College, the Governor's Office of Minority Affairs (GOMA) and The Maryland Chamber of Commerce notified Ms. Priester of her selection in October 2007. This program is designed to salute the region's best minority and women business owners and to highlight their achievements. A panel of distinguished judges chose the President and CEO of Encore Solutions, Inc. as

an entrepreneur who demonstrated outstanding achievement in four key areas: business development, client satisfaction, professional affiliations and community outreach.
1998 to 2000, Corporate Vice President, Armstrong Data Services, Inc.
Ms. Priester managed business operations, marketing, and strategic business development. She directly supervised three people, who managed a combined team of nine people. Her direct reports were the Directors of Human Resources, Business Administration, and Finance. She represented the company President in his absence. She oversaw consolidation of corporate organization and streamlined the operation in each functional area.
1996-1997, Project Director, Armstrong Data Services, Inc.
Ms. Priester performed contract management and program support within the company technical divisions for the nation-wide Environmental Protection Agency (EPA) Records Management Support Services contract. Tasks accomplished included maintenance of 35 delivery orders and managing a support staff of 110 employees. She also fielded requests from government technical representatives. She was responsible for marketing the company's capabilities throughout the agency. She managed the subcontracting relationship at various field locations, requiring travel and coordination with subcontractor management and employees.
1994 to May 1996, Director of Human Resources, Armstrong Data Services, Inc.
Ms. Priester supervised the two company Human Resources Specialists, and administered the corporate benefit plans. She coordinated the recruitment and hiring practices for two company divisions and six regional offices. She developed corporate human resources policies and procedures, and provided all federal and state compliance reports. She was responsible for coordinating all corporate events.
1992 to 1994, Business Manager, Armstrong Data Services, Inc.
Ms. Priester supervised two company administrative support staff people and performed as the corporate liaison to company regional offices. She supported the business development staff with presentations to potential clients and identified new business from various resources. She assisted in the proposal preparation process. She successfully developed and maintained a proprietary library for corporate sensitive materials. During this period, she directly participated in planning for the move of the corporate headquarters.
1992 to 1993, Program Analyst, Armstrong Data Services, Inc.
Ms. Priester performed general finance and administrative functions for the Federal Systems Division. She performed accounts payable and accounts receivable functions for the Accounting Manager. She provided office administration and assisted with data entry support for two contract close-out efforts.

U.S. Agency for International Development (USAID)
Response to U.S. Senate Committee on Small Business and Entrepreneurship

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Overview

The following is in response to the questions presented by the U.S. Senate Committee on Small Business and Entrepreneurship during the roundtable discussion "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty", and held on June 20, 2013. The focus of the discussion was on the current impact of sequestration on small business contracting and federal agencies' plans to mitigate the impact of budget cuts on small businesses. These responses were prepared by USAID's Office of Small and Disadvantaged Business Utilization (OSDBU), which serves as the lead office to address and monitor the Agency's small business goals and achievements.

Responses

1. **Is your agency on track for achieving its prime and subcontracting goals for small businesses, women-owned small businesses, small disadvantaged businesses, service-disabled veteran owned small businesses, and HUBZone firms for Fiscal Year 2013? If not, why?**

   Yes, the Agency's current small business prime contracting achievements are higher this fiscal year than at this point in time last year. However, given that most of USAID's awards are in the fourth quarter, it's too early to tell definitively where we will end up at the end of the year. Regarding subcontracting, summary reports are not available until after the end of the fiscal year.

2. **Where is your agency in terms of achieving these goals (i.e., 20%, 50%, etc.)?**

   As of June 14, 2013, the Agency has achieved 87.71 percent towards meeting its overall small business goal of 11 percent.

3. **How are you monitoring your agency's goaling activities?**

USAID is monitoring its goaling activities through 1) generating monthly small business goaling reports through the Federal Procurement Data System (FPDS-NG); 2) reviewing assigned individual small business achievement of each bureaus and Independent Office (IO) that had an acquisition budget of $5M or more in FY 2012; and 3) frequent communications with senior managers on this issue. The Small Business Goaling Program Manager provides information which illustrates each bureau and IO's progress towards meeting their individual small business goal on a monthly basis.

On June 17, 2013, Deputy Administrator Donald Steinberg conducted a meeting with the USAID senior leadership to launch this year's "Crush the Goals" campaign. A similar campaign was conducted in FY 2012 and the agency eventually exceeded its small business goal. During the last quarter of the fiscal year, the OSDBU Director provides a small business update to senior level managers during weekly senior management meetings and the Small Business Goaling Program Manager provides frequent updates to the bureaus and IO technical staff.

4. **How are you engaging with contracting and program offices to increase opportunities for each category of small business? (i.e., training, workshops, regular meetings, etc.).**

The Agency engages contracting and program staff to increase opportunities through meetings, agency-wide outreach activities and training. On May 16, 2013 the OSDBU hosted the Sixth Annual Small Business Conference which had approximately 220 participants representing more than 75 firms throughout the U.S. This year we also added a Small Business Awards Program to recognize outstanding achievements and provide incentives for agency staff. USAID contracting and program offices are key participants in the conference, both in the business matchmaking portion as well as the "Lunch with the Leaders".

We also continue to conduct mandatory small business training for all Contracting Officers (CO) and Contracting Officer Representatives (COR) which was launched in Washington, DC in April 2012. The training session places a special emphasis on the "rule of two" requirement as well as the mandatory small business set aside for acquisitions under the Simplified Acquisition Threshold (SAT). The training also seeks to reinforce CO and COR knowledge of the small business programs including the requirement to set aside all actions under the simplified acquisition threshold ($150K) for small businesses. To date, more than 450 acquisition and technical staff have been trained. We have held ten sessions in Washington, DC and 19 sessions at ten of the larger USAID missions in Latin America, Africa and Asia. We will continue with the training sessions through FY 2013 and into FY 2014.

5. **What is your agency's level of commitment for promoting opportunities for small businesses?**

The Agency's level of commitment continues to be at the highest in regards to promoting opportunities for small businesses. In 2011, we implemented a new procurement reform strategy as part of the USAID Forward initiative. A key objective of these reforms is to increase competition and broaden our partner base, including increasing the use of U.S. small businesses both as prime and subcontractors.

We continue to streamline agency policies and processes to reduce our dependence on large Indefinite Delivery-Indefinite Quantity (IDIQ) contracts and replace them with smaller more flexible awards that are more accessible to small businesses. In cases when the use of the mechanism remains appropriate, there has been an increase in small businesses as IDIQ holders.

For those large dollar contracts that exceed $75 million, USAID's Board of Acquisition and Assistance Review (BAAR) reviews the procurement strategy and, among other things, determines what level of small business participation is appropriate. The OSDBU Director is a core member of the BAAR and ensures that small business participation is addressed.

At the operational level, the Agency's commitment is demonstrated through the use of an internal Small Business Review Form (hereafter referred to as Form 1410). The Form 1410 is completed and submitted to the OSDBU by the Contracting Officer; and it serves as documentation of the action taken to provide small business concerns with the maximum practicable opportunity to compete for the procurement in question. The Form 1410 is required for new and modified procurements at and above $25,000.

6. **Please provide us with any communication you or your agency has issued to contracting and program offices for achieving agency small business goals?**

As noted in the response to question #4, OSDBU conducts mandatory training for Cos and CORs that includes an emphasis on achieving small business goals. In addition, OSDBU recently launched its "Crush the Goals" campaign to encourage senior leadership from the contracting and program offices to meet or exceed the small business goals. Attached please find the invitation from USAID's Deputy Administrator to Agency senior leadership to kick off the "Crush the Goals" campaign.

7. **Have you contacted agency prime contractors to make sure they are meeting their small business and other targeted enterprises subcontracting goals? How do you monitoring compliance with subcontracting plans?**

   In Fiscal Year 2012, USAID implemented new measures to improve its subcontracting program. These include providing training to prime contractors on the subcontracting program requirements. A training class for prime contractors was jointly provided by USAID's OSDBU Subcontracting Program Manager and the Small Business Administration's (SBA) Commercial Market Representative. The class covered such topics as subcontracting plans, reporting via the electronic subcontracting reporting system, and applicable laws and regulations. USAID's OSDBU Director and the Senior Procurement Executive both addressed the attendees to stress the importance of making good faith efforts towards meeting USAID's small business utilization goals. Another class for USAID prime contractors will be conducted this fiscal year. The importance of subcontracting was also highlighted during USAID's Annual Small Business Conference in May 2013. This event included match making sessions between small businesses and USAID prime contractors. USAID also recognized a prime contractor for its outstanding efforts in mentoring a small business as part of USAID's Mentor Protégé Program. This program is another means by which USAID promotes the development and utilization of small businesses as both subcontractors and prime contractors.

8. **Are your prime contractors meeting their small business goals for women-owned, small disadvantaged owned, service-disabled veteran owed, and HUBZone firms?**

   With the exception of the Woman Owned Small Business goal, USAID's prime contractors are not currently meeting USAID's subcontracting goals. We are most challenged in regards to the Service Disabled Veteran Owned Small Business (SDVOSB) and the Historically Underutilized Business Zone (HUBZone) goals. We are taking steps to give our prime contractors additional opportunities to meet with and learn about the capabilities of small businesses in these categories. We are currently in the planning stage of hosting a small business conference that will be specifically designed to bring Service Disabled Veteran Owned Small Businesses together with prime contractors and representatives of USAID, the Department of State, and the Overseas Private Investment Corporation.

9. **Please provide any communication you or your agency has issued to ensure that prime contractors meet their subcontracting goals.**

   We communicate with our prime contractors through various means. These include via remarks in the electronic subcontracting reporting system,

training of prime contractors at USAID, on-going coordination with SBA's Commercial Market Representative as she conducts on-site reviews of our prime contractors, and face-to-face meetings. The OSDBU Director, his subcontracting program manager, and a senior procurement official recently met with one of USAID's prime contractors specifically to discuss concerns regarding the low subcontracting utilization numbers reported in the electronic subcontracting reporting system for their firm. We will continue to monitor the performance of our prime contractors and communicate to them when we believe that there is a disparity between their subcontracting plan goals and a good faith effort to achieve the goals. In addition, we will continue to communicate with USAID's acquisition professionals to ensure that they understand and accomplish their subcontracting monitoring responsibilities.

10. **Provide us with any communication you have received from the Office of Federal Procurement Policy or the White House within the past year, concerning small businesses.**

    Please see the following two notices:

    http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/follow-up-april_25-2012-meeting-of-the-small-business-procurement.pdf

    http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-16.pdf

11. **Provide us with any recommendations you have made to the agency head to lessen the burden and adverse impact on small businesses due to budget cuts and sequestration.**

    The OSDBU has not provided direct recommendations to the agency head to lessen the adverse impact on small businesses due to budget cuts and sequestration. However, the OSDBU Director has had discussions with the Agency's Senior Accountable Official for Sequestration Matters and her team and the Senior Procurement Executive regarding the potential adverse impact.

12. **Has the agency head implemented your recommendation(s)?**

    N/A

13. **What is your reporting structure within your agency?**

    The OSDBU Director reports directly to USAID's Deputy Administrator.

Attachment for response to Question #6:

From: **Donald Steinberg**
Date: Tue, Jun 11, 2013 at 8:27 AM
Subject: Crush the Goals Meeting Invitation (18 JUNE)

Dear Colleagues,

I would appreciate your participation in a meeting to consider how to improve our performance in working with small businesses, to be held in the Point Four conference room on Tuesday, June 18 from 12:00 noon to 1:00 pm. The purpose of the meeting is to 1) review bureaus and independent offices (IOs) progress towards meeting the Agency's overall small business goal; 2) identify best practices that will help the Agency improve its performance in working with small businesses; and 3) identify how the Office of Small and Disadvantaged Business Utilization (OSDBU) may assist the bureaus and IOs.

On June 26, I will be attending the *White House Meeting on Small Business Procurement* to review our progress in meeting our FY 2013 small business goals. In advance of that meeting, I want to ensure that we are doing our very best to reach and exceed those goals. We have made significant progress over the past two years, but there appears to be some backsliding so far this year, especially on the overall small business goal. The chart below shows our Agency wide accomplishments year to date.

I have asked Mauricio Vera, Director of OSDBU, to provide a detailed breakdown of your bureaus and offices YTD progress at the June 18 meeting. We look forward to a lively discussion, and welcome your input on any techniques and best practices that can help us to improve our commitment to small business.

Kindest regards,

Don Steinberg

	Goal	FY2012 Achievement	FY2013 YTD Achievement
Small Business	11%	12.02%	9.50%
Small Disadvantaged Business	5%	7.15%	7.11%
Women Owned Small Business	5%	4.37%	2.54%
HUBZone SB	3%	0.70%	1.25%
Service Disabled Veteran Owned SB	3%	1.37%	2.28%

Questions for the Record
For Mr. Joseph Misanin
U.S. Department of Defense

GENERAL QUESTIONS - ALL AGENCIES

1. In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.

- How does this affect agencies' achievement of their small business goals?

- Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?

DoD response: The Deputy Secretary of Defense memorandum of February 10, 2013 mandated the inclusion of small business performance criteria in the evaluation plan of Senior executives within the Department. Leadership emphasis and accountability plays an important part in the overall strategy to maximize small business opportunities in DoD procurements and this initiative will ensure appropriate emphasis down to the lowest levels. However, because the DoD already has a goal to maximize small business opportunities, changing the federal-wide goal from 23% to 25% will not impact our small business prime contracting performance.

Question
The DoD February 21, 2013 memo titled, "Rescission of Class Deviation – Providing Accelerated Payments to Small Business Subcontractors," rescinded "Quickpay" threatening the cash flow of small business subcontractors that previously benefited from the expanded policy. The memo also mentions that DoD plans to continue phased implementation of the policy to assist small business prime contractors but does not address the Department's plans to ensure a strong industrial base by maintaining strong small business support at the subcontractor level.

- What are DoD's plans to ensure that small businesses remain viably competitive, especially in this decreasing budget environment?

DoD response: The Department is continuing to pursue initiatives to improve our effectiveness in maximizing opportunities for small businesses in DoD procurements, including those under Better Buying Power. Small businesses have remained viable during past decreasing budget environments; however, the impacts of sequestration go far beyond a decreasing budget environment. The indirect impacts of sequestration, such as the furloughs of the acquisition workforce and the severe restrictions on travel, outreach, and training will impact both near and long-term opportunities for both small and large businesses.

Questions for the Record
For Ms. Jiyoung Park
U.S. General Services Administration (GSA)

GENERAL QUESTIONS - ALL AGENCIES

In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.

- **How does this affect agencies' achievement of their small business goals?**

  Adding small business goals to the Senior Executive Service employees' performance plans further demonstrates GSA's commitment to achieving its small business goals. This has increased the focus of and coordination among GSA's senior management in ensuring maximum participation in the GSA procurement process.

- **Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?**

  GSA's small business prime contracting goal is 30 percent, which is higher than the 23 percent government-wide goal. GSA has a record of exceeding its 30 percent goal. GSA continually seeks to provide maximum practicable opportunity for small businesses and views its 30 percent goal as a floor, not a ceiling.

Question

A recent House investigation revealed that GSA failed to fully pay 1,334 Federal contractors more than $3 million since 2008 by neglecting to fulfill a guarantee payment clause outlined in multiple award contracts. 1,281 of these businesses are small.

- **As OSDBU Director, are you involved in rectifying the error?**

  Rectifying this error falls under the responsibility of GSA's Federal Acquisition Service (FAS). FAS has developed a two phase process to correct the error. In Phase I, payments will be made to 1,244 eligible small businesses. Phase II will consist of processing 512 payments to all other eligible contractors, including large businesses, from a six- year period (May 7, 2007 to April 30, 2013). Prior to processing payments, eligibility for payments will be verified for each contract.

- **How will you ensure that this does not happen to small businesses in the future?**

  As of May 1, 2013, GSA FAS will work with Procurement Contracting Officers (PCOs) for routine processing of guaranteed payments to eligible contractors meeting clause requirements. Moving forward, GSA will not require contractors to request a guaranteed minimum payment. Contractors will have to meet the requirements of clause I-FSS-106 in order to be eligible for a guaranteed minimum payment.

Question

The Federal Government's efforts to establish a broad strategic sourcing initiative to ensure that all agencies manage their acquisitions effectively and that, wherever possible, agencies join together to negotiate the best deal for the taxpayer have caused major concerns for small businesses.

- **To what extent have U.S. Office of Management and Budget (OMB), GSA, and selected agencies considered small and disadvantaged businesses in their strategic sourcing initiatives?**

  GSA is strongly committed to ensuring that small and disadvantaged businesses are considered in all strategic sourcing initiatives. Strategic Sourcing is focused on leveraging the Government's collective buying power in order to make best use of tax payer dollars. A main consideration in strategic sourcing is to provide maximum opportunities for small businesses in strategic sourcing so that they may continue to grow and offer the best possible solutions to Government agencies. We believe that strategic sourcing can offer positive results and create increased small business participation. In addition, supporting small businesses is particularly important as agencies strive to meet mission critical needs with increasingly tight budgets.

  To increase small business participation and to achieve greater results in strategic sourcing, GSA:

  - Conducts market research so that small businesses are able to compete for strategic sourcing solutions and alerts small businesses of potential opportunities in strategic sourcing. SBA Procurement Center Representatives continuously partner with agencies and vendors to build awareness of any strategic sourcing events

  - Develops clear requirements on strategic sourcing initiatives through collaborative efforts with OMB and other agencies to ensure small business participation. This has been done through the efforts of the Strategic Sourcing Leadership Council (SSLC) which is overseen by the

Office of Federal Procurement Policy (OFPP). The main objective of the SSLC is to facilitate the organized expansion of strategic sourcing. The SSLC is comprised of seven major U.S. agencies which includes: Department of Defense, Energy, Homeland Security, Health and Human Services, Veteran Affairs, The General Services Administration, and the National Aeronautics and Space Administration along with the Small Business Administration. These agencies have representatives of commodity experts to analyze current spend, potential savings, and potential opportunities for small business participation in strategic sourcing initiatives. The agencies participating in the SSLC have emphasized the importance of meeting their small business utilization objectives.

- Continues to partner with SBA, other Federal agencies, and private sector experts to ensure the interests of small businesses are considered in order to shape decisions and policies for strategic sourcing initiatives to guarantee increased small business participation.

- Follows the OMB issuance last December of a blueprint for improving acquisition through strategic sourcing (M-13-02, December 5, 2012). This document communicates that all strategic sourcing opportunities shall seek to increase participation of small business. It also specifically requires that all proposed strategic sourcing initiatives must baseline small business use under current strategies and set goals to meet or exceed that baseline participation under the new strategic sourcing vehicles. This document was created to ensure that small business participation is considered throughout the acquisition planning of strategic sourcing initiatives by identifying how agencies currently use vendors that could provide the commodity and the relative presence of small business in the market. Teams receive input from the small business industry to consider requirements and strategies to increase small business participation.

- Includes "on ramp" and "off ramps" as part of strategic sourcing initiatives which allows small businesses who did not initially receive an award under a strategic sourcing initiative to get onto a vehicle once a slot opens up. This "on ramp" and "off ramp" process also allows agencies to get better prices and terms and conditions.

- Encourages AbilityOne. Some strategic sourcing initiatives have a requirement that the vendor must be an Ability One Certified Reseller. To ensure that all small businesses are capable of meeting this requirement, GSA has offered Small Business Partnering Sessions with the AbilityOne Commission to instruct small businesses of the process of becoming an Authorized Reseller. The process to become an Authorized Reseller is quite simple and currently takes about a week.

- Uses technology tools such as GSA's Interact (interact.gsa.gov) to ensure that all small businesses are kept up to date on strategic sourcing initiatives. Through Interact, small businesses are able to ask questions and post comments and concerns which are answered by the Program Manager of the strategic sourcing initiative.

GSA and OMB are committed to expanding the percent of dollars going to small business, directly or as subcontractors, as an essential element of strategic sourcing and we are assisting small business in every step of the strategic sourcing process. GSA's Administrator Dan Tangherlini has expressed that expanded opportunity for small business is a crucial strategic sourcing metric that will be monitored closely. GSA, OMB, and other Federal agencies are continuously partnering with small businesses to ensure they have every opportunity to participate in the strategic sourcing initiatives and are continuing to look for new ways to increase small business participation.

- **What do available data and performance measures indicate about the inclusion of small and disadvantaged businesses in government-wide and selected agencies' internal strategic sourcing initiatives?**

GSA has gathered extensive data in regards to small business and disadvantaged businesses in strategic sourcing solution. GSA has done this through market research to include: conversations with agencies, the commodity industry, and through the assistance of consultants. In addition, GSA has gathered data on the strategic sourcing solutions that have already been in place (OS2, DDS and Print Management) through our Knowledge Management Portal (KMP) and data collection received by the vendors on these solutions on a monthly basis. Through this data it is apparent that small business participation has increased and, in some cases, small businesses are receiving the majority of the dollars spent against these strategic sourcing solutions. As GSA is working to stand up other strategic sourcing solutions, GSA has analyzed current spend for commodities under these solutions and anticipates small business participation to increase as well as these solutions are stood up.

- In GSA's Office Supplies (OS2) strategic sourcing solution:
  - GSA awarded 15 Blanket Purchase Agreements (BPAs) to 15 contractors, 13 of whom were small businesses. Of the 13, 11 qualified under a socio-economic subcategory. There are five women owned small businesses, two service disabled veteran owned small businesses, three small disadvantaged, and one disadvantaged women owned business.
  - GSA has increased the total dollars going to small businesses from 67 percent prior to the strategic sourcing solution to 76 percent. Total amount of small business spend through OS2 since inception is $461 million.

U.S. Small Business Administration
Washington, D.C. 20416

Questions for the Record
For Mr. Calvin Jenkins
U.S. Small Business Administration (SBA)

U.S. Senate Committee on Small Business & Entrepreneurship Roundtable

"Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty"

GENERAL QUESTIONS - ALL AGENCIES

In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.

- **How does this affect agencies' achievement of their small business goals?**

  SBA Response: The Administration has made a commitment that annual goals to award federal contracts to small businesses will continue to be a priority. As agency leaders, Senior Executive Service (SES) members have a responsibility for achieving these procurement goals by considering potential small business contracting opportunities during the acquisition process and by establishing an environment that is responsive to small business concerns. We believe incorporating small business contacting goals into the performance evaluations for SES employees to be the gold standard in agency's holding their senior leaders accountably for small business contracting goals.

  Performance plans of many agencies now include a new element that documents SES's commitment to achieving small business procurement goal. And we have heard from a number of agencies that the senior leadership commitment and the inclusion of small business goals in the performance plans of SES members is having a direct impact on meeting contracting goals.

- **Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?**

  SBA Response: As the Administration has been on the record in the recent past, the Administration strongly supports efforts to increase Federal contracting with small businesses, but opposes measures which would establish a laudable but overly ambitious government-wide small business procurement goal that could undermine the goaling process and take away the Government's ability to focus its efforts where opportunities for small business contractors are greatest.

U.S. Small Business Administration
Washington, D.C. 20416

Question
In Administrator Mills' letter dated February 19, 2013 to Senator Mikulski regarding sequester impacts, Mills states "the agency would be forced to do 350 fewer 8(a) reviews and 40 fewer HUBZone reviews."

- **How will budget cuts affect SBA's ability to identify and address fraud, waste, and abuse through 8(a) and HUBZone reviews?**

  SBA Response: Our top priority at the SBA is to ensure that the benefits of our programs flow to the intended recipients. Our government contracting programs are a critical and effective toolkit for small businesses; and we have no tolerance for fraud, waste and abuse in those programs. For this reason, we have implemented a comprehensive three-pronged strategy to identify, prevent and pursue non-compliance or fraud across all our government contracting programs:

  1. Effective certification processes: Clear and comprehensive eligibility screening on the front-end ensures that only qualified, eligible firms participate in our programs;

  2. Continued surveillance and monitoring: Targeted and thorough examinations, reviews and site visits identify firms which commit fraud or no longer qualify; and,

  3. Robust and timely enforcement: Prompt, proactive enforcement removes bad actors, deters wrongdoing, and reassures those entitled to participate in our programs.

  However, continued budget cuts could negatively impact SBA's ability to effectively perform site visits on HUBZone firms, which involves SBA staff physically visiting a HUBZone firm's principal office to verify that the certified concern is operating out of that location. Additionally, SBA conducts an annual review of each firm certified to participate in the 8(a) program to assess its progress toward established goals and to verify its continued program eligibility. If a firm no longer meets the eligibility criteria, it will be removed from the program. Fewer resources will mean that SBA staff will be constrained in their efforts to perform these reviews.

Question
The SBA's Goaling Guidelines excludes contracts awarded and/or performed overseas in the small business goaling base. However, in recent years two memoranda issued by the SBA's Office of General Counsel explain that the Small Business Act applies to contracts awarded overseas and/or performed overseas.

- **So that small businesses will have increased opportunity to compete for contracts overseas, when will the FAR and SBA Goaling Guidelines be amended to clarify that these contracts are not exempt from the small business goaling baseline?**

U.S. Small Business Administration
Washington, D.C. 20416

SBA Response: In accordance with Section 1631 of the National Defense Authorization Act of 2013, SBA is conducting a comprehensive review of the categories of procurement previously excluded from the Small Business Goaling Report of the Federal Procurement Data System, which includes contracts awarded and/or performed overseas. Once this review is completed, SBA will make the necessary changes to its Goaling Guidelines. We will also work with the Office of Federal Procurement Policy and the Federal Acquisition Regulation (FAR) Council to make correlated changes in the FAR.

Department of Energy
Washington, DC 20585

August 20, 2013

The Honorable Mary Landrieu
Chairman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chairman:

On June 20, 2013, the Committee on Small Business and Entrepreneurship held a Roundtable entitled, "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty."

Enclosed are the answers to nine questions that were submitted by you and Senator Shaheen, to complete the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen at (202) 586-2031.

Sincerely,

Brad Crowell
Acting Assistant Secretary
Congressional and Intergovernmental Affairs

Enclosure

cc: Ranking Member Jim Risch

Printed with soy ink on recycled paper

SENATE SMALL BUSINESS AND ENTREPRENEURSHIP COMMITTEE

ROUNDTABLE MEETING: IMPACT OF SEQUESTRATION ON SMALL BUSINESS CONTRACTS

JUNE 20, 2013

QUESTIONS FROM SENATOR LANDRIEU

GENERAL QUESTIONS - ALL AGENCIES

- In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.

Q1. How does this affect agencies' achievement of their small business goals?

A1. The inclusion of a small business performance standard in the annual performance review of senior executives (SES) may result in their greater focus on small business goals and should positively affect achievement of our small business goals. The Secretary of Energy issued a memorandum (dated December 20, 2012) that approved the inclusion of a small business performance standard in the FY13 annual performance reports of senior executives whose responsibilities substantially impact small business utilization.

Q2. Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?

A2. A change of small business prime contracting goal from 23% to 25% would not guarantee an increase in opportunities for small businesses.

- In your submitted remarks, you stated that DOE is structured under a management & operating (M&O) model which awards roughly 80 percent of its procurement base to large prime contractors who run the national laboratories and field sites. This model affords the majority of DOE's small business spend to fall under M&Os as subcontracting.

Q3. What are some potential changes with respect to M&O and other management contracts that could result in an increase in Federal prime contract awards or obligations to small business?

A3. There are currently no intended changes with respect to the structure of DOE's M&O model that would significantly affect small business opportunities. The public-private partnership of the DOE model affords the agency the ability to effectively fulfill its mission critical responsibilities to our nation. DOE continues to work hand-in-hand with our M&O contractors to increase small business opportunities.

- Your Senate confirmed position as Director of the Office of Economic Impact and Diversity (ED) requires you to report directly to the Energy Secretary. However, you are not required to report solely to the Secretary, as required for OSDBU Directors in Section 15(k)(3) of the Small Business Act.

Q4. How does this affect your ability to advocate for small business?

A4. As a point of clarification, the President Appointed and Senate Confirmed (PAS) position is the Director of the Office of Minority Economic Impact (OMEI) and by law is not required to report to the Secretary of Energy. As the head of a first tier organization, I have a great opportunity to strongly advocate for small business. It provides me with a seat at the table with all the program office and support office heads who are my counterparts (many of whom are also PAS) across the Department. The Department is currently considering changes to its organizational structure in light of the recent changes to section 15(k).

LaDoris G. Harris/Date: August 20, 2013
Phone Number: (202)586-8383

Preparation Lead: ED/OSDBU
Preparation Team Name(s): John Hale
Phone Number(s): (202)586-4620

Questions for the Record
For Mr. Mauricio Vera
U.S. Agency for International Development

GENERAL QUESTIONS - ALL AGENCIES

1. **In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.**

- **How does this affect agencies' achievement of their small business goals?**

  The agency's Senior Executive Service leaders are more likely to place greater emphasis on achieving small business goals if they are held accountable in their individual performance plans. This is particularly true if the agency has set individual organization level goals for agency components. Those goals should be set at a level so that if each agency component meets its goal, then the agency as a whole will meet its overall goal.

- **Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?**

  There is no guarantee that increasing the government-wide goal to 25% will result in increased opportunities for small businesses. The Federal Acquisition Regulation (FAR) mandates that agencies provide "maximum practicable opportunities" to small businesses; however, the percentage of awards to small businesses can vary significantly from agency to agency based on the types of products or services that agency procures. For this reason, the negotiated small business goal varies (and should vary) from agency to agency. Setting a realistic and achievable goal for each agency and consistently holding the agencies accountable will have a greater impact than increasing the overall goal. It is important to note that the larger agencies, like the Department of Defense and Department of Energy, significantly drive federal government-wide accomplishments. If these two departments, which together account for approximately 75%

of government-wide spending, meet their goals then the government as a whole will likely meet the 23% goal.

Question

As Chair of the Federal OSDBU Directors Interagency Council, what are some impediments to OSDBU Directors performing their duties? Please describe what changes will improve their job function.

The following are challenges that OSDBU Directors have raised recently at OSDBU Directors Interagency Council meetings:

- Lack of adequate staff or other resources to perform their core functions effectively. Unfortunately, the current restrictive Federal budget environment has exacerbated this problem.

- Uncertainty surrounding the current Federal budget is a major impediment to acquisition planning. Thorough acquisition planning is one of the keys to successful small business contracting strategies. The acquisition planning process is greatly helped with a detailed non-Continuing Resolution agency budget.

- Recent cuts to travel and outreach to small businesses have significantly impacted the ability of OSDBU directors and staff to perform their duties effectively. New conference attendance restrictions and budget constraints have significantly limited the face-to-face interactions with small businesses that are the cornerstone of many of our programs. Targeted small business outreach is critical in helping agencies identify new small businesses that can successfully perform mission critical work. Thus far, the direct impact of sequestration on overall small business accomplishments has been mild. However, since the return on investment for outreach events typically takes two to three years, the impact of sequestration in 2013 may not be realized until 2015 or 2016.

- Balancing the dichotomy of advocacy for small businesses with the, sometimes conflicting, stronger programmatic focus on an agency's mission accomplishments. Consequently, elevating the status and visibility of the small business programs within each agency poses a continuing challenge. The White House Small Business Procurement Group has been very helpful in elevating the visibility of small business programs over the past two

years. The OSDBU directors appreciate sustained congressional leadership, strong support and high level engagement on small business issues.

- Lastly, if the goaling guidelines will be changed so as to include contracts awarded and/or performed outside of the U.S., OSDBU directors recommend that the small business regulations (FAR Part 19) also be revised so that they regulations apply to overseas awards.

Ultimately, as an agency becomes more successful in increasing its small business accomplishments, the faster the agency's cadre of qualified small businesses grow into large businesses. We look forward to continuing to work with Members of Congress and their staff to help small businesses become productive, thriving and strong partners with Federal agencies.

Questions for the Record
For Mr. Willie Smith
U.S. Department of Transportation

GENERAL QUESTIONS - ALL AGENCIES

1. In responses to the April 1st sequestration letter, several agencies indicated that their agency includes small business utilization standards in annual performance plans for senior executive service employees who impact small business achievement.

   - **How does this affect agencies' achievement of their small business goals?**

The DOT included language in the "leadership" section of the performance plans for SES officials that was designed to ensure that executive leadership throughout the Department effectively promoted and supported meeting the Agency's Small Business Program goals and commitments. This commitment would include implementing strategies for increasing potential contracting opportunities for Small Businesses entities. While preparing the performance plan language, we recognized that many executives who oversee the acquisition workforce (and those who act as SES officials in program offices) may not have direct and final control over the number and types of awards necessary to ensure that small business contracting goals are achieved. However, the inclusion of language in SES performance plans has allowed DOT to encourage SES officials to use their authority and visibility to ensure that a heightened level of commitment and a more focused effort toward the development and implementation of strategies for increasing potential contracting opportunities to small businesses is realized. This has resulted in a positive effect on our Agency.

   - **Will increasing the government-wide small business prime contracting goal from 23% to 25% guarantee increased opportunities for small businesses?**

The extent to which increasing the government-wide small business prime contracting goal from 23% to 25% would guarantee increased opportunities for small businesses is contingent upon a variety of elements. Increasing the goal would create an added focus by federal offices as they strive to achieve the increased goal; however, the achievement of small business goals (as with establishing opportunities for any contracting activity) depends upon many factors to

include mission objectives, resource availability, agency priorities, and other elements that cannot necessarily be determined in advance.

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Question

There is no doubt that the Disadvantaged Business Enterprise (DBE) program serves a vital need. In fact, DOT distributed over $4 billion to DBEs via its recipients in FY 2009 and almost $3 billion in FY 2010. However, the DOT IG report dated April 23, 2013 cites major weaknesses in the management and oversight of DOT's DBE.

- What is DOT's plan to establish corrective actions that will immediately ensure that billions of taxpayer dollars, intended for DBE's under the High Speed Rail program are actually received by those respective businesses?

The Federal Railroad Administration (FRA) encourages all recipients of Federal financial assistance to use small business concerns owned and controlled by socially and economically disadvantaged individuals in their projects. The FRA does not currently have statutory authority to administer a DBE program like those in place at the Federal Highway Administration, Federal Transit Administration and Federal Aviation Administration. The FRA fully supports the objectives of DBE programs and all FRA's grantees are required to avoid discrimination in contracting. We are considering various avenues to ensure that small and disadvantaged businesses are able to participate in rail projects throughout the country, and the Department has already taken a number of steps in this area. We have incorporated the strongest possible small and disadvantaged business clause into our grant agreements, encouraging the use of small and disadvantaged businesses and citing the regulations that govern DBE programs of the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) as acceptable models. On projects where FRA funds are being used along with FHWA or FTA funds, each State has discretion to set DBE goals for the whole project under their DOT approved goal setting method.

Additionally, FRA's Office of Civil Rights has contacted all the grant recipients under the High Speed and Intercity Passenger Rail (HSIPR) Program about their plans to comply with the grant clause that requires equal opportunity in contracting. We are holding our State partners accountable to ensure fairness in contracting, both with contractors and those with whom they subcontract. Our staff continues to provide support and technical assistance and conducts outreach to grant recipients and small and disadvantaged businesses.

To advance our common goals, we are also disseminating "Best Practices" that are being utilized by State and local grantees to promote small and disadvantaged business participation in HSIPR projects. Highlights of these strategies include:

- Committing to contract unbundling
- Seeking opportunities to create stand-along projects.
- Targeting outreach to small and disadvantaged businesses.
- Establishing an informational Web site about project opportunities.
- Encouraging mentoring opportunities between prime contractors and small and disadvantaged subcontractors.
- Ensuring inclusion of community-based partners along the corridors.

- Specifically, how do you plan to correct the fragmented approach of assigning only limited DBE program management responsibilities to three separate Departmental offices and establish a single line of accountability for the program?

The DBE program is a high priority for this Department, as it continues to provide DBEs with the opportunity to compete for Federally-funded contracts on highway, transit, and airport project across the country. The Department is taking the recommendations in the OIG report seriously. We do wish to note, however, that the report, while it contains some important advice for the program, should in no way be seen as an indictment of the program's efficacy. For example, according to the report, the overwhelming majority (over 97 percent) of contract dollars awarded to DBEs were properly awarded. While we will strive to improve that number, given the nationwide extent of the program and the multiple State and local offices that are involved in contracting, we believe we have demonstrated a strong record of ensuring that only properly certified DBEs benefit from the program.

We are actively working with all the Departmental offices responsible for the program to produce a comprehensive plan that will identify specific actions and timeframes that respond to the OIG and enhance the effectiveness of the DBE program administration.

The Department intends to clarify the lines of authority questions raised in the report. The Department will issue a departmental order for the program clarifying that the Secretary and Deputy Secretary have overall accountability and decision making responsibility for the DBE program. Further, the order will clarify the roles and responsibilities of each of the OST offices with management responsibility for the DBE program and the operating administrations.

Questions for the Record
Senator Jeanne Shaheen
Thursday, June 20, 2013
Small Business and Entrepreneurship Committee Roundtable: Impact of Sequestration on Small Business Contracts

Questions to submit to ALL federal agencies:

Q: As you know, federal agencies are required to report on their small business contracting results on a yearly basis. Considering the difficulties and abnormalities created by sequestration, it would be helpful to understand how agencies are performing so far this year. Is your agency meeting its small business goals this year so far? If not, how much of the shortfall do you attribute to sequestration?

To date, GSA is exceeding its 30 percent agency-wide small business goal and is exceeding two of the four small business socio-economic goals for FY 2013. GSA currently is not meeting the 3 percent goal for contracting with Historically Underutilized Business Zone (HUBZone) firms and the 3 percent goal for contracting with Service Disabled Veteran-Owned Small Businesses (SDVOSB).

We are working to close these gaps and are in the process of conducting an analysis of our procurement forecast for the remainder of the year to project where we will end up with our goals.

Despite the challenges of constrained budgets, we continuously seek ways to provide maximum practicable opportunity for small businesses. We will target procurements for HUBZones and SDVOSBs as possible, where the market research supports it.

As of 7-25-13 (Source: Small Business Dashboard)

Goal Category	Eligible Dollars	Actual Dollars	Goal %	Actual %
Small Business	**$2.7B**	**$899.3M**	**30 %**	**33.4 %**
Small Disadvantaged Business	**$2.7B**	**$420.0M**	**5 %**	**15.6 %**
Women Owned	**$2.7B**	**$172.1M**	**5 %**	**6.39 %**
Service Disabled Veteran Owned	**$2.7B**	**$69.7M**	**3 %**	**2.59 %**
Certified HUBZone Small Business	**$2.7B**	**$57.0M**	**3 %**	**2.12 %**

Q: What kind of obstacles does sequestration present when it comes to small business contracting?

To ensure maximum small business participation in GSA's procurement process, we continue to update, and make available, the agency's procurement forecast. GSA's Office of Small Business Utilization (OSBU) has robust acquisition support mechanisms in place to make sure small businesses are receiving the maximum practicable opportunity to participate in GSA contracts regardless of the fiscal environment. Such mechanisms include acquisition plan reviews, Form 2689 Small Business Analysis Record reviews, subcontracting plan reviews, and Procurement Management Reviews that monitor compliance with small business procurement rules and regulations.

Q: Meeting federal agency small business contracting goals is an important objective. But since small businesses are often at a disadvantage compared to larger firms, meeting federal agency small business contracting goals requires special effort by contracting officials. What communications have you or your agency issued to contracting officials about meeting their small business goals this year under sequestration?

Small business is one of GSA's six strategic priorities. The importance of small businesses is continually communicated in employee communications and in our leaders' organizational performance commitments.

We also send targeted messages highlighting areas where we need to improve with small businesses. For example, GSA's Administrator issued a message on March 8, 2013, highlighting the importance of agency-wide small business goals and expanding opportunities for small businesses, and he posted a video this week stressing the importance of small businesses.

The OSBU Associate Administrator sends monthly goal progress reports to agency leadership.

Q: One of the concerns I have heard is that small business subcontractors have been impacted because prime contractors are facing cuts. Have you contacted your prime contractors to understand how they are handling their small business subcontracting?

GSA contracting officers monitor Individual Subcontracting Reports (ISR) and Summary Subcontract Reports (SSR) in eSRS. If necessary, contracting officers send a letter to prime contractors who are not meeting small business subcontracting goals.

In addition, if necessary, prime contractors are sent a reminder letter to submit delinquent required subcontracting reports into eSRS.

We also work with GSA contracting officials to ensure that prime contractors are providing acceptable goals and that they are making a good faith effort in obtaining small business participation in GSA awarded contracts. We provide suggestions for prime contractor Subcontracting Plans and collaborate with the Small Business Administration's (SBA) Commercial Market Representative on Subcontracting Compliance Reviews.

Q: Could you provide us with any recommendations you have made to the agency head to lessen the burden and adverse impact on small business of budgets cuts and sequestration? Have these recommendations been acknowledged or implemented?

GSA continues to achieve its small business goals, however we will routinely monitor our procurement forecast for impacts of constrained budgets and consider recommendations that lessen any adverse impact on small business.

Improving Individual Office Small Business Contracting

Q: As you know, federal agencies report on their small business contracting goals on an agency-wide basis. While this exercise holds federal agencies publicly accountable, I am interested in learning more about how well each individual office within an agency is doing and whether it may be appropriate for some larger offices to have small business contracting goals. Will you please provide the Committee with your small business contracting numbers broken down by each individual office?

Enclosed is the Small Business Dashboard Performance by goal as of July 25, 2013, which reflects GSA's agency-wide small business goals performance.

An Official Web site of the United States Government

Thursday, July 25, 2013 Text Share

SMALLBUSINESS DASHBOARD

ADVANCED SEARCH SEARCH

Home Data Feeds FAQs Feedback

Small Business Contracts

Show only Recovery Act Contracts FY 2013 GO

Report Data Issues

Filters: FY 2013 Funding Agency: GENERAL SERVICES ADMINISTRATION Clear All

View Summary GO

Performance By Goal

Goal Category	Eligible Dollars	Actual Dollars	Goal %	Actual %
Small Business	$2.7B	$899.3M	30 %	33.4 %
Small Disadvantaged Business	$2.7B	$420.0M	5 %	15.6 %
Women Owned	$2.7B	$172.1M	5 %	6.39 %
Service Disabled Veteran Owned	$2.7B	$69.7M	3 %	2.59 %
Certified HUBZone Small Business	$2.7B	$57.0M	3 %	2.12 %

Top 5 States by Vendor Location

1.Virginia	$183,035,222
2.Maryland	$127,525,601
3.Texas	$104,081,014
4.California	$80,393,227
5.Florida	$36,859,378

Top 5 Products or Services Sold

1.Passenger Motor Vehicles	$130,840,255
2.Unknown	$125,444,933
3.Other ADP and Telecommunications Services (Includes Data Storage on Tapes, Compact Disks, ETC.)	$74,059,236
4.Unknown	$58,696,800
5.Custodial Janitorial Services	$53,832,730

Top 5 Type of Contracts Used

1.Firm Fixed Price	$678,797,686
2.Fixed Price with Economic Price Adjustment	$180,676,079
3.Labor Hours	$14,151,335
4.Not Reported	$9,417,929
5.Time and Materials	$9,117,772

Top 5 Major Contracting Agencies

1.General Services Administration	$899,342,405
2.Department of Health and Human Services	$0
3.Department of Energy	$0
4.Department of Defense	$0
5.Department of State	$0

Contracts Timeline

Small Business
Hub Zone
Service Disabled Veteran Owned
Women Owned
Small Disadvantaged Business

Data in the Small Business Dashboard may differ from the data in the annual Small Business Goaling Report issued by SBA. The annual Small Business Goaling Report is generated by taking a snap-shot of data from the Federal Procurement Data System (FPDS) on a certain date. FPDS is a dynamic database, and agencies can change historical information if the details of a contract have changed. The contracts data in this dashboard reflects data downloaded from FPDS as of -. Please note that availability of DOD contracts data is delayed by 90 days to protect operations tempo. For more information about the data, data sources, and data timeliness, please see Learn

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U.S. Small Business Administration
Washington, D.C. 20416

Questions for the Record from Senator Jeanne Shaheen (D-NH)
For Mr. Calvin Jenkins
U.S. Small Business Administration (SBA)

U.S. Senate Committee on Small Business & Entrepreneurship Roundtable

"Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty"

Thursday, June 20, 2013

Questions to submit to ALL federal agencies:

Question: As you know, federal agencies are required to report on their small business contracting results on a yearly basis. Considering the difficulties and abnormalities created by sequestration, it would be helpful to understand how agencies are performing so far this year. Is your agency meeting its small business goals this year so far? If not, how much of the shortfall do you attribute to sequestration? What kind of obstacles does sequestration present when it comes to small business contracting?

SBA Response: As of July 15, 2013, SBA is exceeding our FY 2013 small business utilization goals as follows:

	SB	SDB	WOSB	SDVOSB	HUBZone
FY 2013 Target Goals	67%	5%	5%	3%	3%
FY 2013 Accomplishment (as of 7/15/13)	72.23%	46.50%	13.65%	6.38%	9.42%

Question: Meeting federal agency small business contracting goals is an important objective. But since small businesses are often at a disadvantage compared to larger firms, meeting federal agency small business contracting goals requires special effort by contracting officials. What communications have you or your agency issued to contracting officials about meeting their small business goals this year under sequestration?

SBA Response: SBA has the highest Small Business Utilization goal among all Chief Financial Officer (CFO) Act agencies, as set at 67% of eligible spending. To attain this goal, SBA contracting officers strive to award every new requirement to a small business unless the requesting office provides adequate justification or demonstrates that a responsible small business did not exist for the requirement. Moreover, SBA contracting officers are in a position to continuously monitor areas that might require specific set-aside targeting. SBA regularly reviews its progress toward meeting the annual small business utilization goals as a normal part of operations, and at least quarterly, executive leadership and senior management meet to discuss progress and identify corrective actions, if needed.

U.S. Small Business Administration
Washington, D.C. 20416

Question: One of the concerns I have heard is that small business subcontractors have been impacted because prime contractors are facing cuts. Have you contacted your prime contractors to understand how they are handling their small business subcontracting?

SBA Response: To achieve SBA's goal of awarding 67% of its contracting dollars to small business, there are few opportunities for agency awards to large businesses. The majority of SBA's contract requirements are relatively small in dollars compared to other federal agencies. As a result, there is little subcontracting activity and a concerted communication to any large prime contractors about subcontracting issues has not been necessary.

Question: Could you provide us with any recommendations you have made to the agency head to lessen the burden and adverse impact on small business of budgets cuts and sequestration? Have these recommendations been acknowledged or implemented?

SBA Response: Maximizing small business is the primary role of SBA. As demonstrated by SBA's Small Business Utilization results, the Administrator is always a champion for small business, and everyone involved in SBA's acquisition process is attuned to the importance of meeting the Agency's commitment to promoting Federal contracting access to small business. Everyone in the Agency understands that advocacy for small business is fundamental to our core mission.

Improving Individual Office Small Business Contracting

Question: As you know, federal agencies report on their small business contracting goals on an agency-wide basis. While this exercise holds federal agencies publicly accountable, I am interested in learning more about how well each individual office within an agency is doing and whether it may be appropriate for some larger offices to have small business contracting goals. Will you please provide the Committee with your small business contracting numbers broken down by each individual office?

SBA Response: The SBA is a small agency with no sub-components and has only one individual office that executes our procurement activity. Therefore, agency reporting of small business contracting goal results is the same for sub-level activity reporting. Our contracting numbers to date for FY 2013 are included in our response to Question 1.

Department of Energy
Washington, DC 20585

August 20, 2013

The Honorable Mary Landrieu
Chairman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chairman:

On June 20, 2013, the Committee on Small Business and Entrepreneurship held a Roundtable entitled, "Sequestration: Small Business Contractors Weathering the Storm in a Climate of Fiscal Uncertainty."

Enclosed are the answers to nine questions that were submitted by you and Senator Shaheen, to complete the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen at (202) 586-2031.

Sincerely,

Brad Crowell
Acting Assistant Secretary
Congressional and Intergovernmental Affairs

Enclosure

cc: Ranking Member Jim Risch

Printed with soy ink on recycled paper

QUESTIONS FROM SENATOR SHAHEEN

Q1. As you know, federal agencies are required to report on their small business contracting results on a yearly basis. Considering the difficulties and abnormalities created by sequestration, it would be helpful to understand how agencies are performing so far this year. Is your agency meeting its small business goals this year so far? If not, how much of the shortfall do you attribute to sequestration? What kind of obstacles does sequestration present when it comes to small business contracting?

A1. DOE is tracking small business prime achievement via its Small Business Dashboard. This enables DOE to monitor our small business achievement on a monthly basis by individual program office. Currently in FY2013 our prime small business achievement is 4.26% (via www.smallbusiness.data.gov) as of 7/19/13, which is 61% towards our annual goal. The Department is diligently working towards meeting our prime, subcontractor and socio-economic goals. Additionally, the Department is mounting a fourth quarter push to increase small business awards.

Q2. Meeting federal agency small business contracting goals is an important objective. But since small businesses are often at a disadvantage compared to larger firms, meeting federal agency small business contracting goals requires special effort by contracting officials. What communications have you or your agency issued to contracting officials about meeting their small business goals this year under sequestration?

A2. The communications below were issued within DOE to assist the Department in meeting its prime and subcontracting goals:

- April 11, 2013 – The Office of Small and Disadvantaged Business Utilization (OSDBU) issued request for forecast of contracting opportunities to Heads of Department Elements
- March–April, 2013 – OSDBU held conference calls and meetings with program offices and HQ procurement to update eSRS subcontracting records to ensure reporting accuracy;

January, 2013 – Departmental Elements were informed via e-mail communication to update FY 2013 acquisition data in DOE's prime and subcontracting business forecast.

Q3. One of the concerns I have heard is that small business subcontractors have been impacted because prime contractors are facing cuts. Have you contacted your prime contractors to understand how they are handling their small business subcontracting?

A3. The Department continues to hold prime contractors accountable for meeting their small business goals. While overall procurement and, therefore, subcontracting dollars are reduced we believe our prime contractors remain capable of meeting their established goals. As overall budgets are reduced, both prime contractors and subcontractors will see reduced dollar availability. DOE's historical subcontracting small business achievement is impressive. In FY2012, 47.5% of eligible subcontract dollars were awarded to small businesses. We continually work closely with our large contractors to meet their subcontracting goals and therefore did not issue separate correspondence.

Q4. Could you provide us with any recommendations you have made to the agency head to lessen the burden and adverse impact on small business of budgets cuts and sequestration? Have these recommendations been acknowledged or implemented?

A4 The Departments' executive and senior leadership are committed to supporting small businesses. The DOE's small business program and advocacy is being promoted through the following initiatives:

1) Secretary of Energy issued a memorandum requiring inclusion of a performance element in FY2013 performance plans for DOE Senior Executive Service members who can substantially affect the organization's small business baseline.
2) The Small Business First Policy was issued by the Deputy Secretary of Energy to ensure prime contracting opportunities are available to the maximum extent practicable to small businesses.

3) DOE entered into a Memorandum of Understanding with the Minority Business Development Agency of the Department of Commerce to increase the pipeline of capable, and responsive small businesses.
4) The OSDBU attended, participated in and/or co-sponsored forty four (44) outreach events throughout the country with a range of small business advocacy organizations.
5) The OSDBU requested and GSA hosted a training session at DOE on the use of the preparation and retrieval of standard and ad hoc reports from the Federal Procurement Data System-Next Generation (FPDS-NG) for contracting and program office personnel.
6) DOE on-site Small Business Administration Procurement Center Representative (PCR) and OSDBU participated in the Department's Acquisition Workshop (December 2012) on Section 1331 of PL 111-240, Best Practices, Market Research, and a GAO Decision regarding the importance of market research before making awards.

The OSDBU promotes the Department's over 100 small business multiple award contracts (MACs) to program offices to expedite placing tasks with small businesses. The MACs and the aforementioned initiatives are being used to offset sequestration's impact on small business contracting.

Improving Individual Office Small Business Contracting

Q5. As you know, federal agencies report on their small business contracting goals on an agency-wide basis. While this exercise holds federal agencies publicly accountable, I am interested in learning more about how well each individual office within an agency is doing and whether it may be appropriate for some larger offices to have small business contracting goals. Will you please provide the Committee with your small business contracting numbers broken down by each individual office?

A5. Through the use of a range of data management initiatives, DOE has increased its engagement with the Federal Procurement Data System – Next Generation, and the SBA's

Small Business Dashboard (both are official government websites used to track and monitor all federal government agencies small business achievement). Various strategies and tools are in place for each individual office use to ensure small business utilization is used to the maximum extent practicable.

Questions for the Record
Senator Jeanne Shaheen
Thursday, June 20, 2013
Small Business and Entrepreneurship Committee Roundtable: Impact of Sequestration on Small Business Contracts

(U.S. Department of Transportation)

Questions to submit to ALL federal agencies:

Q: As you know, federal agencies are required to report on their small business contracting results on a yearly basis. Considering the difficulties and abnormalities created by sequestration, it would be helpful to understand how agencies are performing so far this year. Is your agency meeting its small business goals this year so far? If not, how much of the shortfall do you attribute to sequestration? What kind of obstacles does sequestration present when it comes to small business contracting?

Yes – for the reporting period ending 7/29/2013 DOT is exceeding the small business goals for FY2013.

DOT is committed to the inclusion of small businesses in its acquisition process and will seek to preserve procurement opportunities for small businesses to the maximum extent practicable. However, reduced funding (as a result of sequestration or other reductions) will have an impact on the amount of products and/or services DOT can acquire. As the Agency re-scopes its requirements consistent with available funding, small businesses (which receive roughly 40% of DOT federal-direct procurement dollars) will likely be impacted. An inevitable review of contract activities will be the likely result of reevaluating and re-prioritizing agency and mission needs to align with available funding resources. A review of contracts may include contract actions such as re-scoped, delayed, or canceled contracts depending on the nature of the work and the degree to which it directly supports the agency's mission goals.

Q: Meeting federal agency small business contracting goals is an important objective. But since small businesses are often at a disadvantage compared to larger firms, meeting federal agency small business contracting goals requires special effort by contracting officials. What communications have you or your agency issued to contracting officials about meeting their small business goals this year under sequestration?

- **The Department's Acquisition Oversight and Risk Management policy**
- **Issued The Department's Acquisition Policy memo on accelerated payments to small businesses**
- **Department's guidance on accelerated payments to prime contractors**
- **ASR/AP to include strategy for set-aside of contracts or tasks for small businesses**
- **Quarterly Simplified Acquisition Reports**
- **Prime Contractors Reporting small business goal achievements in the Electronic Subcontracting Reporting System**
- **Communications received from OFPP on small business goals**

Q: One of the concerns I have heard is that small business subcontractors have been impacted because prime contractors are facing cuts. Have you contacted your prime contractors to understand how they are handling their small business subcontracting?

Yes – we are actively involved with our Prime Contractors. We monitor their small business progress via the eSRS (Electronic Subcontracting Reporting System). Prime Contractors must enter their SB achievements twice a year and annually. DOT/OSDBU works with the Operating Administrations on primes that have indicated in the eSRS that they are not meeting their subcontracting goals and/or cannot locate small businesses.

For the period ending 7/29/2013 prime contractors are on target with their small business (subcontracting plan) goals – with the exception of the Hubzone small business). To date we are scheduled to participate in Hubzone outreach events and matchmaking for Hubzone small businesses.

On 8/5/2013 DOT held an agency-wide matchmaking event which included DOT Operating Agencies and our prime contractors – all too strategically work with our prime contractors in meeting their small business subcontracting goals. The event included 350+ small businesses and 40 prime contractors/DOT Operating Agencies.

Q: Could you provide us with any recommendations you have made to the agency head to lessen the burden and adverse impact on small business of budgets cuts and sequestration? Have these recommendations been acknowledged or implemented?

DOT issued a notice regarding the impact of Government-wide sequestration to all DOT contractors. This notice was also published in FebBizOpps. The notice provided information on how budget cuts would impact contracts and steps DOT was taking to mitigate such cuts.

Improving Individual Office Small Business Contracting

Q: As you know, federal agencies report on their small business contracting goals on an agency-wide basis. While this exercise holds federal agencies publicly accountable, I am interested in learning more about how well each individual office within an agency is doing and whether it may be appropriate for some larger offices to have small business contracting goals. Will you please provide the Committee with your small business contracting numbers broken down by each individual office?

Small business contracting goal achievement report (by each Operating Agency) is attached (10/1/12 – 8/8/13).

MARY L. LANDRIEU, LOUISIANA, CHAIR
JAMES E. RISCH, IDAHO, RANKING MEMBER

CARL LEVIN, MICHIGAN
TOM HARKIN, IOWA
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RON JOHNSON, WISCONSIN

JANE CAMPBELL, DEMOCRATIC STAFF DIRECTOR
SKIFFINGTON E. HOLDERNESS, REPUBLICAN STAFF DIRECTOR

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

April 1, 2013

Mr. Seth D. Harris
Acting Secretary of the U.S. Department of Labor
200 Constitution Ave NW
Washington, DC 20210

Dear Mr. Harris:

Congress has now passed a continuing resolution stipulating that federal agencies operate under reduced spending at the sequestration levels created under the Budget Control Act of 2011. As Chair of the Senate Committee on Small Business & Entrepreneurship, I have concerns about how the implementation of these reductions will affect our small businesses and federal agencies. As you are aware, each federal agency has a small business contracting goal. As committee Chair, I request that you share your progress toward meeting this goal in 2013.

As we face the challenges of budget reductions, we should ensure that small businesses do not bear a disproportionate share of the burden. Please describe for committee review the effects of sequestration on your agency's small business contracting activities relative to the overall cuts in contracts awarded by your agency. Specifically, please identify the areas that are experiencing the most reductions and the level of small business participation in those areas prior to sequestration. Also, please detail what mechanisms are in place to monitor such impacts, and the actions being taken to mitigate the impact of these cuts.

I am interested in knowing to what extent both large prime contractors and small business contractors are being impacted. I would also like to know what guidance has been given to help them minimize impacts to their small business suppliers. Please submit this information by April 22, 2013.

Small businesses are critical to the growth and recovery of our economy, thus we must be able to quantify the problem if we are to attempt to craft a solution. These businesses are capable of providing the same, and in many case, superior products and services as large companies. They should be given the same opportunities to do business with the federal government.

I thank you in advance for your attention to this matter. Should you have any questions or concerns, please do not hesitate to contact the committee's Majority Staff Director, Jane Campbell, at jane_campbell@sbc.senate.gov or at (202) 224-0095.

Sincerely,

Mary L. Landrieu

cc:

Joshua Pollack, White House Liaison
Ed Pagano, White House Liaison
Senator Harry Reid, Majority Leader
Senator Barbara Mikulski, Chair of the Senate Committee on Appropriations

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240
JUN 13 2013

13 JUN 18 AM 9:46

The Honorable Mary L. Landrieu
Chair, Committee on Small Business
and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairwoman Landrieu:

Thank you for your letter of April 1, 2013, to former Secretary of the Interior Ken Salazar, requesting information about the effects of sequestration on small business contracting. Secretary Jewell has asked me to respond on her behalf.

The Department of the Interior's (Department) programs provide significant economic contributions to the Nation. This is fueled, in part, by annual spending in contracted activities of approximately $2 billion. The Department's efforts in small business contracting are reflective of one of the most robust small business programs in the entire Federal Government. In the last several years, the Department's percentage of dollars contracted to small businesses was among the top 2-3 high performing Federal agencies. In 2012, we continued our historically high levels of performance, contracting with small business for over 57 percent of our contracting dollars. In 2012, we also met or exceeded all of our component goals for contracting with small disadvantaged, women-owned, historically underutilized, business zone, and service-disabled veteran-owned businesses.

We share your concern about the impacts of sequestration on these goals for Fiscal Year 2013. During the first 6 months of this year, our contracting levels declined by 18 percent based on dollar value. This is a comparison of contracting actions and dollars through March 31, 2013, as compared to the comparable period in FY 2012. The good news is that we have been able to sustain high contracting levels with our small businesses – 55 percent of our contractors are small businesses. As of March 31, 2013, we executed $364.9 million in contracts with small businesses. Despite the uncertainty of the budget outcomes and the sequestration, we have been able to sustain 88 percent of our contracting level with small businesses as compared to sustaining 75 percent of our contracting levels with other than small businesses.

The full impacts of the sequestration will take place in the coming months, as it went into effect March 1, 2013, with only 7 months to implement. Further, one of the areas that will likely see cutbacks is contracts, as we need to prudently manage to ensure we can sustain mission essential operations. Since we find our small business partners to be a good value, we are hopeful that we can continue small business contracting as a high proportion of the contracts we issue this year.

With regard to your request that we identify the mechanisms we have in place to mitigate the impacts, it is important to understand that the sequester is an across-the-board spending cut. By its very nature it is inflexible and by law is to be administered in a way that impacts every

program, project, and activity. Thus, we have limited tools to take action to avert impacts, but we are taking action to reduce impacts.

The Department monitors the performance of its contracting entities as compared to the goals on a monthly basis. Our program communicates the results throughout the Department, which provides transparency and makes senior managers aware of the performance of their organization. Senior managers have a performance element in their annual performance plans that requires accountability to small business goals and this element is considered in their annual performance evaluations. We maintain a high level of training, outreach, communication, and assistance through a network of acquisition experts and small business specialists. Our small business specialists conduct regular reviews of contracts to optimize small business contracting. The goals for our small business program are also included in our strategic plan and are monitored and reported through our regular performance updates.

In prior years, we conducted extensive outreach and training events including going to communities to assist small businesses. The sequester reductions of 5 percent and additive reductions in our FY 2013 enacted funding level of one percent require that we minimize travel costs. We are working diligently to use teleconferencing and other tools and we are asking our operating entities that have staff at the local level to participate in outreach efforts in their local area.

I appreciate your interest in these important activities at the Department of the Interior. If you have questions about this response, please contact Ms. Pam Haze, the Deputy Assistant Secretary – Budget, Finance, Performance and Acquisition at (202) 208-4775 or Pam_Haze@ios.doi.gov.

Sincerely,

Rhea Suh
Assistant Secretary – Policy, Management and Budget

United States Department of State

Washington, D.C. 20520

13 APR 30 AM 9:17 APR 29 2013

Dear Madam Chairman:

Thank you for your letter of April 1 concerning the effects of sequestration on small business contracting.

Secretary Kerry shares your goal of promoting American small businesses, both prime and subcontractors, to the maximum extent possible in accomplishing the Department's mission. Among other things, small businesses provide the Department with vital information technology services, administrative support, and consulting services, and manufacture products we need to carry out our diplomatic mission around the world.

We actively look for new ways in which small businesses can assist us in accomplishing our mission both domestically and abroad. Whenever possible, we opt for small business set-asides when we need contractor support to carry out our mission and where small businesses can accomplish the needed work. Where small businesses cannot provide the requisite support, we push for robust subcontracting plans and maximal use of small businesses from our large prime contractors.

State's Office of Small and Disadvantaged Business Utilization, or OSDBU, reports to the Deputy Secretary of State for Management and Resources and facilitates the Department's achievement of its small business contracting goals. OSDBU champions U.S. small business interests in the Department's acquisition process and provides the small business community with training and guidance on how to do business with State.

Small business contracting goals are negotiated, per statute, with the U.S. Small Business Administration. The Department's small business advocate serves as the primary interlocutor. Goals are negotiated for each of the five statutory set-aside categories based on the Department's historical achievements, potential for future growth, and anticipated budget and contracting opportunities.

The Honorable
Mary Landrieu, Chair,
Committee on Small Business & Entrepreneurship,
United States Senate.

Goal achievements are measured by fiscal year, and are expressed as a percentage of obligations made in each of the five goal categories. **Contracting goals** (for the Department's contracts with small businesses) are based on the percentage of domestically performed contract obligations that occur within a given fiscal year (FY). The Department's **subcontracting goals** (small business subcontracting under awards made to large business prime contractors) include domestic and overseas performed contracts.

Our contracting goals for FYs 12 and 13 are 35% for small business, 5% each for small disadvantaged businesses and women-owned small businesses; and 3% each for service disabled veteran-owned small businesses and Historically Underutilized Business Zone (HUBZone) small businesses.

In FY 12, the Department improved in each of the five categories, relative to FY 11, as follows:

- Small business goal of 35%; grew from 34.78% to 39.07%;
- Small disadvantaged business goal of 5%; grew from 16.88% to 20.24%;
- Women-owned small business goal of 5%; grew from 4.99% to 9.66% (nearly doubling over the previous year);
- Service disabled veteran-owned small business goal of 3%; grew from 2.72% to 4.05% (a more than 25% increase over the previous year); and
- HUBZone small business goal of 3%; grew from 2.27% to 2.48%.

Despite the challenges in FY 13 because of the Continuing Resolution and sequester, the Department continues to work to expand its achievements in relation to small business contracting. All proposed acquisitions are reviewed as potential small business set-asides, with program and acquisition staffs needing to demonstrate that the proposed work can be performed only by large businesses. This paradigm shift away from the traditional approach of having to demonstrate that small businesses have been identified that can perform the needed work bolsters our efforts to empower American small businesses.

At this time, the Department is working on its financial plans to allocate funds and map out our spending for the remainder of the year. All bureaus will

undergo the 5 percent sequestration cut and we are striving to manage the cuts to ensure foremost that our programs for security, health, and life/safety are protected. By the same token, we are taking all efforts to preserve our contracts for security services, such as our local guard forces that guard our facilities, as well as other security, health, and life/safety contracts.

The Department is still assessing the full effects of the sequester on its contracts, for both large and small businesses. Once our financial plans have been finalized, and the effects of the sequester on our contracts have become more defined, we will notify our contractors as needed. We will make every effort to avoid financial hardship on our contracting community, keeping in mind the importance of small business contracting, as we focus on advancing our mission and working our way through these mandatory cuts.

The Department is proud of its achievements in small business contracting. We continue to foster an agency-wide culture that values small business. Small businesses have risen to the challenge of performing successfully in difficult environments around the world in support of U.S. foreign policy.

We hope this information is helpful in addressing your inquiry. Please feel free to contact us further on this or any other matter of concern to you.

Sincerely,

Thomas B. Gibbons
Acting Assistant Secretary
Legislative Affairs

U.S. Department of Homeland Security
Washington, DC 20528

MAR 5 2013

Dear Industry Partner,

This is to advise the Department of Homeland Security (DHS) contractor community of the DHS plans regarding contract actions that may be necessary in the event contract funding is affected by sequestration decisions.

As you are aware, the Budget Control Act of 2011 requires sequestration of certain DHS funds. At this time, DHS is taking every step to mitigate the effects of these cuts, though it is possible that sequestration may result in a reduction in the funds designated to purchase certain supplies and services as well as reduction in the Government's capacity to administer DHS contracts. Such reductions may result in certain planned procurements being cancelled or reduced in scope and certain existing contracts being reduced in scope, terminated or partially terminated.

Should DHS determine that any of these actions are necessary, the Contracting Officer for each of the affected contracts will provide prompt appropriate notice to the contractor in accordance with the terms and conditions of the affected contract. Notices will contain the direction necessary to comply with the decision made by DHS regarding that contract as a result of sequestration. For planned procurements that will be cancelled or delayed, DHS will update the Acquisition Planning Forecast System to reflect delays and cancellations.

If a contract will not be affected by sequestration, DHS does not plan to provide any separate notifications or communications of that fact. Unless a contractor is provided a formal notification to the contrary, all DHS contractors must continue to comply with all terms, conditions, requirements and deliveries specified in their contract.

Thank you for your continued partnership with DHS, and for your cooperation as we work together to manage these unfortunate circumstances.

Sincerely,

Nick Nayak
Chief Procurement Officer

Assistant Secretary for Legislative Affairs
U.S. Department of Homeland Security
Washington, DC 20528

April 30, 2013

The Honorable Mary L. Landrieu
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your recent letter regarding the effects of sequestration on the Department of Homeland Security's (DHS) small business contracting program.

DHS has a robust small business program and has received an "A" on the Small Business Administration (SBA) Scorecard for three consecutive years beginning in fiscal year 2009. DHS is anticipating another favorable score for FY 2012 when SBA releases the Scorecard later this year. The success of the program has been dependent on eight key areas which include: the small business website; small business specialists in each buying activity; annual forecast of contract opportunities; listing of large business prime contractors with subcontracting opportunities; mentor-protégé program; annual small business awards ceremony; small business review form; and outreach activities. On average, the DHS Office of Small and Disadvantaged Business Utilization staff participates in 75 to 100 small business outreach events annually, reaching an estimated 10,000 small businesses. Please see the enclosed Preliminary DHS FY 2013 Year-To-Date Small Business Accomplishments.

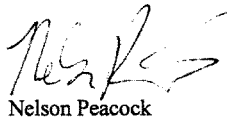
As a result of the Consolidated and Further Continuing Appropriations Act 2013, which has maintained reduced spending at the sequestration levels required by the Budget Control Act of 2011, participation in local and out-of-town small business outreach events with industry and trade associations has been significantly reduced. To mitigate the impact on the small business community, field personnel have increased the use of teleconferences and videoconferences as a primary form of outreach.

A letter from the DHS Chief Procurement Officer to the DHS industry partners has been posted under the Small Business Assistance portion of the DHS website, and a copy of this letter is enclosed. The letter explains that the Budget Control Act of 2011 requires sequestration of certain DHS funds which may result in certain planned procurements being cancelled or reduced in scope and certain existing contracts being reduced in scope, terminated, or partially terminated. The letter also states, unless provided with formal notification to the contrary, all DHS contractors must continue to comply with all terms, conditions, requirements, and deliveries specified in their contract.

The DHS component Heads of the Contracting Activities submit a weekly report to the DHS Chief Procurement Officer detailing the list of affected contracts. The Department is continually monitoring the status and remains committed to mitigating the effects of sequestration on the small business community to the greatest extent possible.

Again, thank you for your letter. If you have any further questions or concerns, please feel free to contact me at (202) 447-5890.

Respectfully,



Nelson Peacock
Assistant Secretary for Legislative Affairs

Enclosures

cc: Joshua Pollack, White House Liaison
Ed Pagano, White House Liaison
The Honorable Harry Reid, Senate Majority Leader
The Honorable Barbara Mikulski, Chairman, Senate Committee on Appropriations

Department of Homeland Security
Preliminary Small Business Accomplishments - FY 2013

as of 4/5/13 - using the SBA Scorecard Small Business Categories

source: Federal Procurement Data System

Category	Gov't-wide Goal	DHS-wide Goal	Award $	%
Total Procurement Dollars	N/A	N/A	$4,492,219,500	N/A
SB Prime Contracts	23.0%	32.0%	$1,383,184,100	30.8%
Overall SDB [8(a) + SDB Prime]	5.0%	5.0%	$611,985,100	13.6%
HUBZone Prime Contracts	3.0%	3.0%	$123,094,300	2.7%
SDVOSB Prime Contracts	3.0%	3.0%	$279,400,900	6.2%
WOSB Prime Contracts	5.0%	5.0%	$264,015,000	5.9%

Acronym Key:

SB = Small Business

8(a) = Awarded under 8(a) procedures; SDBs certifed by SBA to participate in the 8(a) program

SDB = Small Disadvantaged Business

HUBZone = Historically Underutilized Business Zone Small Business

SDVOSB = Service Disabled Veteran Owned Small Business

WOSB = Women-Owned Small Business

Note: these accomplishments are shown in accordance with SBA reporting procedures; Ability One, Federal Prison Industries, and interagency agreements are excluded

DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

13 APR 22 PM 12:38

APR 11 2013

Honorable Mary L. Landrieu
Chair, Committee on Small Business
United States Senate
Washington, DC 20510

Dear Senator Landrieu:

Thank you for your inquiry, dated April 1, 2013, which provides me the opportunity to highlight the Defense Information Systems Agency's (DISA) accomplishments in support of small business programs.

In fiscal year 2012, DISA met or exceeded all of our assigned small business goals, with the exception of Historically Underutilized Business (HUB) Zone awards. In fiscal year 2013, we are exceeding two of our assigned small business goals, and we are only slightly below our goals in two other small business categories. The DISA Office of Small Business Programs and our acquisition and procurement workforce continue to be very strong advocates of small business. We are cautiously optimistic about attempting to meet our goals in fiscal year 2013 despite the severely fiscally-constrained environment.

Sequestration presents many challenges, and we expect that the fiscal pressure may make achievement of our small business goals more difficult. Many of DISA's acquisition programs are funded by our mission partners across the Department of Defense. Therefore, reductions in authorized contract obligations, and the associated effect on small business programs, can only be identified after our mission partners identify acquisition program changes. For those programs funded by annual DISA appropriations, based on our fiscal year 2013 small business achievements, program changes have not to date impacted projected attainment of small business goals.

The Agency will continue to vigorously employ competition to achieve great value and implement government small business goals. Small businesses contribute greatly to accomplishment of DISA's missions and we will continue to engage with industry to generate opportunity for this great source of innovation and value. DISA tracks competition closely and will continue to report trends through OSD.

The Agency has a long history of positive engagement with small businesses and that will continue regardless of reduced funding. Thank you for your interest in DISA's Small Business Program.

Sincerely,

RONNIE D. HAWKINS, JR.
Lieutenant General, USAF
Director

Copy to:
Joshua Pollack, White House Liaison
Ed Pagano, White House Liaison
Senator Harry Reid, Majority Leader
Senator Barbara Mikulski, Chair of the Senate Committee on Appropriations

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Mary Landrieu
Chairman
Committee on Small Business
and Entrepreneurship
United States Senate
Washington, DC 20510

MAY 10 2013

Dear Madam Chairman:

Thank you for your letters to the Secretary of Defense, the Secretaries of the Military Departments, and the Directors of the Defense Agencies regarding the effects of sequestration on small business contracting in the Department of Defense (DoD). I am responding on behalf of the Secretary, the Military Departments, and the Defense Agencies.

Sequestration will universally disrupt DoD investment programs this year, including more than 2,500 procurement programs, research and development projects, and military construction projects. Despite the fiscal constraints imposed by sequestration, increasing awards to small businesses remains a high priority for the Department and we are determined to ensure we maintain our focus on meeting our small business goals. The Deputy Secretary of Defense reaffirmed this commitment in a memorandum to DoD components dated January 21, 2013.

Regarding progress toward our small business goals for FY 2013, as of the end of the first quarter of FY 2013, the Department had obligated $8.2 billion to small business prime contractors, which represents 13.29 percent of all small-business-eligible prime contracting dollars. While no individual snapshot of spending activity is a reliable predictor of our final performance for the fiscal year, our overall small business achievement through the second quarter of FY 2013 (16.41 percent) exceeds that of the previous two fiscal years (15.4 percent in FY 2012; 15.27 percent in FY 2011). The enclosed chart illustrates this achievement.

The amount of actual dollars obligated to small businesses in FY 2013 is less than previous years at this point in time – and will remain so for the rest of the fiscal year as a consequence of the delayed implementation of sequestration – but our improved achievement as a percentage of total obligations has thus far helped to mitigate the impact to small businesses. Still, the fact remains that reduced spending will naturally result in reduced awards to small and large businesses alike.

Although sequestration potentially impacts every contract, it will not impact every contract equally. The Operation and Maintenance (O&M) accounts for the active forces are experiencing significant funding challenges due to both sequestration and the Department's decision to protect war funding and emerging priority requirements (to include those for the war efforts in Afghanistan), as well as increased fuel prices. The Department intends to use its limited authorities to transfer funds from other accounts to relieve some of the pressure on the base budget O&M accounts, but there is not enough flexibility to resolve everything. This will have a significant negative impact on service contracts — an area where the competitive

advantage gained through aggressive pricing, lower overhead, and increased innovation has traditionally allowed small businesses to excel.

Additionally, more than half of contract expenditures flow down to subcontractors, many of which are small businesses. The Department recognizes that small businesses do not have the capital structures and liquidity necessary to survive severe reductions in revenues, and that they rely on the prime contractors to pay them what they are owed and pay it in a timely manner, which could become more difficult during sequestration. For example, the Department has already been forced to suspend our program for making accelerated payments to prime contractors, which was intended to encourage prompt payment of their small business subcontractors. We are working to emphasize prime contractor compliance with their approved small business subcontracting plans and are stressing the message that sequestration has not affected their obligation to provide the maximum practicable opportunity to small businesses. We believe that this will help prevent prime contractors from forcing their small business subcontractors to bear a disproportionate burden of any contract modifications.

Please note that while the information to assess FY 2013 subcontracting performance is not available in existing Government-wide electronic reporting systems, we are conducting an analysis to identify methods to improve the tracking of subcontracts.

Another source of impact on small business is the reduction in critical activities, such as outreach, matchmaking, and workforce training, that directly influence small business participation and procurement opportunities. Budget constraints have already caused the Office of Small Business Programs to postpone its planned Small Business Training Week, during which our DoD small business professionals have traditionally met in a central location to receive annual refresher training. These direct and indirect factors could combine to cause a disproportionate impact on small businesses.

We hold monthly meetings with the DoD Component Acquisition Executives to monitor all aspects of small business performance, including impacts due to sequestration. We do not yet have contract-level information on how cuts will be applied and are developing a method to track this information. We have taken several steps to mitigate the impact of sequestration on small businesses, including emphasis on increasing small business participation in specific services portfolios and in procurements under the simplified acquisition threshold.

We will continue to closely monitor the impact of sequestration and take appropriate mitigating actions as quickly as possible.

Sincerely,

Frank Kendall

Enclosure:
As stated

cc:
The Honorable James E. Risch
Ranking Member

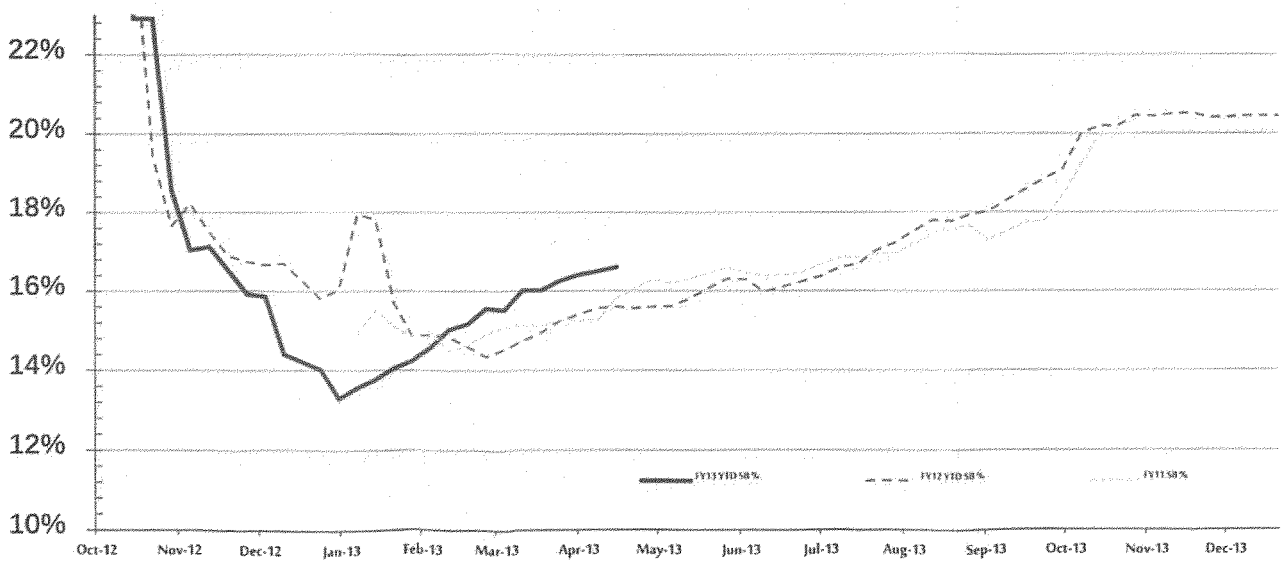
DoD Small Business Statistics & Analysis

Snapshot as of 2013 APR 25

Small Business Percentages YTD

FY11, FY12, FY13

Tracked Weekly



U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

MAY 29 2013

The Honorable Mary L. Landrieu
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chair:

This responds to your letter to the Attorney General dated April 1, 2013, in which you ask the Department of Justice (DOJ) to describe the effects of sequestration on our small business contracting efforts.

As we know you are aware, the President signed the Consolidated and Further Continuing Appropriations Act, 2013, on March 26, 2013, which provides full year funding for the remainder of FY 2013. The Act did not, however, provide any relief from the sequestration budget reductions which result in significant funding and operational challenges across every component with serious consequences for the administration of justice. Within DOJ, sequestration will result in a reduction of over $1.6 billion from the FY 2013 funding level, and by law, those reductions must be taken from each project and activity, so we have little flexibility in how the cuts are applied by the Department.

The Department is taking every possible step to mitigate the effects of sequestration on the delivery of our mission and to ensure we continue to meet our responsibility to provide the maximum practicable opportunity for small businesses in our contracting efforts. However, reductions to expenditures under certain contracts may be necessary, and new awards may not be made or options exercised unless they are absolutely necessary to protect our mission-critical operations. The Department is continuing to explore options to minimize the harmful ramifications of sequestration to our mission and to our small business contractors. To that end, the Department is monitoring its progress toward its small business goals on a monthly basis and is sharing that information with all components.

The Department shares your concern that sequestration will affect small businesses. However, DOJ will do its absolute best to minimize the harm of sequestration to our mission, our small business contracting programs, and to our employees.

We hope this information is helpful. Please do not hesitate to contact this office if we may provide additional assistance regarding this or any other matter.

Sincerely,

Peter J. Kadzik
Principal Deputy Assistant Attorney General

U.S. Department of Labor

**Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210**

14 JUN 27 PM 2:

JUN 11 2013

The Honorable Mary L. Landrieu
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, D.C. 20515

Dear Chairman Landrieu:

Thank you for your April 1, 2013, letter to Acting Secretary Seth D. Harris regarding the impact of reduced spending[1] on small business contracting at the Department of Labor (DOL). I am pleased to share with you information on the Department's actions and strategies that have contributed to our small business program's success, as well as efforts to achieve our Fiscal Year (FY) 2013 goals during this challenging period.

The Department has seen considerable success meeting and consistently exceeding the government-wide small business goal of 23 percent. For FYs 2010 and 2011, the Department achieved a small business utilization rate of 34.97 percent[2] and 34.68 percent[3], respectively. The Small Business Administration (SBA) has not yet released small business performance data for FY 2012; however, the Department's self-reported small business performance rate is 34.91 percent. The Department's achievements have been highlighted in its Small Business Procurement Scorecard with the rating of "A" from SBA for the past three years.[4] For FY 2012, the Department was ranked twelfth among the twenty-four Chief Financial Officers Act agencies in percentage of funds going to small businesses. It is through the combined efforts of DOL's program offices and the acquisition community that the Department has seen such success.

The Department's year-to-date small business performance of 32.34 percent is currently below our FY 13 target of 34.5 percent, which may be due to the uncertainty of funding levels in the first and second quarters of FY 2013 resulting from the continuing resolution and sequestration budget reductions. In the past, continuing resolutions have played a significant role in a reduction of contract obligations, as well as the lower overall dollars obligated for contract actions to both large and small businesses. Despite these reductions, the Department will continue its wide-ranging commitment and support to providing contract opportunities to the small business community. As the Department moves into the final quarters of FY 2013, an

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[1] As a result of the March 1, 2013 sequestration order pursuant to Section 251A of the Balance Budget and Emergency Deficit Control Act of 1985, as amended.
[2] Available at http://www.sba.gov/sites/default/files/files/FY10%20SB%20Procurement%20Scorecard_FINAL_DOL.pdf
[3] Available at http://www.sba.gov/sites/default/files/files/FY11%20Final%20Scorecard%20DOL_2012-06-29.pdf
[4] The Small Business Administration publishes Small Business Procurement Scorecards annually. The scorecards are available at http://www.sba.gov/content/small-business-procurement-goaling-scorecards.

increase in contract obligations is expected, as well as an anticipated rise in small business participation.

In an effort to mitigate the potential impact of sequestration on small business performance, the Department will continue to utilize its comprehensive policies that strategically align its oversight and accountability measures with the agency's proactive outreach and small business utilization program. The Department of Labor Manual Series 2, Chapter 1000, *Small Business Utilization Program* provides for oversight and accountability to incorporate policy development, monitor small business goal achievement, and review procurement actions over $150,000. Moreover, the Department continues to communicate with senior program officials on small business issues to encourage small business utilization.

The Department's leadership fully supports and is committed to broadening access to contracting opportunities for small business. Should additional information be required or if there are any questions regarding this matter, please have your staff contact Andria Oliver in DOL's Office of Congressional and Intergovernmental Affairs. She may be reached at (202) 693-4600.

Sincerely,

T. Michael Kerr
Assistant Secretary for Administration and Management,
Director, Small and Disadvantaged Business Utilization

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

June 3, 2013

The Honorable Mary L. Landrieu
Chairman, Committee on Small Business
and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairman Landrieu:

Thank you for your letter, dated April 1, 2013, regarding the impact that budget cuts mandated under sequestration may have on small businesses.

The U.S. Department of Transportation (DOT) supports providing opportunities and promoting economic growth for all businesses, including encouraging and assisting small businesses, socially and economically disadvantaged businesses, women-owned businesses, and service-disabled, veteran-owned small businesses. As of this date, based on data from the Federal Procurement Data System, DOT is exceeding the Fiscal Year (FY) 2013 small business contracting goal with small business participation of more than 40 percent.

While we are exceeding our goal in FY 2013, we are continuing to provide outreach to small businesses to ensure they have a fair opportunity to compete and perform in DOT procurement programs in order to minimize the impact that budget cuts may have on small businesses going forward. In particular, we are continuing our commitment to including small businesses in the acquisition process and seeking to preserve procurement opportunities for small businesses to the maximum extent practicable.

As part of DOT's oversight and monitoring of our small business programs, our Office of Small and Disadvantaged Business Utilization (OSDBU) evaluates DOT-wide performance to ensure that small businesses continue to have the maximum practicable opportunities to compete in DOT procurement programs. Furthermore, the Office of the Senior Procurement Executive, along with OSDBU, continues to work closely with contracting officers and small business specialists from DOT operating administrations to provide guidance to large prime contractors and small businesses.

Thank you for your concern about this important issue. If I can provide further information or assistance, please feel free to call me.

Sincerely yours,

Ray LaHood

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

April 22, 2013

The Honorable Mary L. Landrieu
Chair
Committee on Small Business and
Entrepreneurship
United States Senate
Washington, DC 20510

Dear Senator Landrieu:

Thank you for your recent inquiry regarding how the Department of Education's small business contractors have been and will be affected by the sequestration of Fiscal Year 2013 (FY 13) funds under the Budget Control Act of 2011.

The exact impact on the Department's small business contracting activities is just beginning to be quantified. Last year, the Department awarded 19.8 percent of contract funding to small businesses; this year the Department may be challenged to replicate a similar success. The Department's Principal Operating Components (POCs) are continuing to modify their acquisition plans based on funding mission-critical contracts for services and supplies. As a result, several of the POCs are opting to scale back or altogether cancel newly planned contract actions that were not yet funded for FY 13 or were not labeled as mission critical. The net impact of this decision is that opportunities for new work which may have gone to qualified small businesses are no longer available, thus impacting the growth of the Department's small business community.

The following are examples of such decisions:

- The Office of Innovation and Improvement is planning to award a contract as a small business set-aside to provide logistical support for its grant competition reviews. As a result of the reduction in funds, one of the competitions that was intended to be part of this contract has been cancelled, thus reducing the total amount of award for the small business vendor.
- The Office of Postsecondary Education (OPE) cancelled two planned Task Orders and one request for proposal for a contract that would have supported a grant competition that was cancelled due to sequestration. All three actions were to have been set-aside for small business. The two task orders were valued at $411,861 and the contract to support the grant competition was valued at $226,470.
- OPE also cancelled a new General Services Administration competition and Request for Proposal that were to be solicited through small business set-aside procedures. These cancellations forfeited prospective small businesses an estimated $940,782.

The sequester of FY 13 funds has caused an even greater effect on existing contracts, as evidenced by several POC's decisions not to exercise options on existing contracts with small and large business vendors. The following are examples of such decisions:

- Office of the Inspector General (OIG) will not be exercising the options on two small business contracts for 2013. The resulting loss to these two small businesses will total approximately $832,000.
- Office of Special Education and Rehabilitative Services (OSERS) has reduced funding on two planned modification options for a Women-Owned Small Business and a Service-Disabled Veteran-Owned Small Business. These combined reductions total $151,970.
- OSERS also cancelled a planned modification valued at $200,000 for an existing contract held by a large business. This action will have no impact on small business vendors.
- OSERS plans to reduce the funding for a recompete contract by $63,000. The impact, if any, to small business vendors is unknown at this stage of the solicitation.
- OPE will not be exercising the option year on a grant evaluation contract held by a small business vendor. The resulting loss to this small business will total $263,864.
- OPE plans to reduce the option year funding and new task order funding for technical assistance and grant peer review contracts that are currently held by separate small businesses; the exact amount of the reductions are pending.

As optional tasks and option periods are not exercised by the Department as a result of the sequester, Contracting Officer Representatives will provide guidance to affected contractors so that they can make appropriate adjustments and minimize impact to their small business suppliers.

Total small business dollars for new and existing contract actions, and by extension the Department's small business contracting goals, are expected to be negatively impacted by the fact that the FY 13 acquisition plan still has several large dollar contract actions that need to be obligated for mission-critical operations at Federal Student Aid (FSA). To date, the Department has awarded over $221 million in contract actions to small businesses. However, based upon several laws and regulations that direct how these FSA mission-critical actions are procured, a higher proportion of these pending large dollar actions will need to be awarded to other than small businesses.

As contract actions are exercised over the remainder of FY 13, the Department will utilize the Federal Procurement Data System Next Generation Database as a mechanism to monitor the impact of sequestration on small business and small business contracting goals. The Department's planned acquisitions continue to evolve and opportunities to include small business will be explored for each and every acquisition. POCs have begun to have discussions with contractors about reducing or revising the scope of the work for contracts, which have had reduced funding, so that contractors are able to effectively utilize diminished resources and still complete the work in a satisfactory manner.

Even as the Department begins making plans to mitigate the impact of the sequestration, there remain several unknown variables that could impact the severity of the cuts on small businesses.

Many POCS are still evaluating the changing budget figures and making final adjustments to acquisition plans for FY 13 and beyond. Thus, the planning of new contracting opportunities and the scaling back of existing contracts may have a greater impact on small business contracting moving forward.

While acknowledging the impact sequestration is having on contracting operations, the Department accepts the budget realities and continues to conduct efficient and innovative business practices with the resources available. The Department also remains firmly committed to working towards achieving the Small Business Administration's prescribed goals for small business contracting in FY 13. If you need any additional information or wish to discuss any of the issues presented above further, please have your staff contact Ms. Gabriella Gomez of the Office of Legislation and Congressional Affairs at 202-401-0020.

Sincerely,

for Michael Sprowacz

James L. Ropelewski
Deputy Chief Financial Officer
and Senior Procurement Executive

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

13 MAY 3' PM 4: 2

MAY 2 2 2013

OFFICE OF THE
CHIEF FINANCIAL OFFICER

The Honorable Mary L. Landrieu
United States Senate
Washington, D.C. 20510

Dear Senator Landrieu:

Thank you for your letter dated April 1, 2013, to Bob Perciasepe, Acting Administrator of the U.S. Environmental Protection Agency, regarding the potential impacts to the EPA's small business contracts due to sequestration cuts.

In implementing the sequester, we will do our best to avoid disproportionate impacts on small businesses, within our fiscal constraints. Please be assured that the EPA is an Agency with a long-standing commitment to small business and a track record of goal accomplishments. The EPA's Office of Small Business Programs remains committed to advocating for small and socioeconomically disadvantaged businesses.

The following are the Agency's small business accomplishments through the second quarter of FY 2013. The numbers are taken from the Federal Procurement Data System – Next Generation database.

Small Business Category	Agency Goal	FY 2013 Achievement (as of 3/30/2013)
Small Business	42.0%	45.3%
Small Disadvantaged Business	3.0%	14.4%
8(a)	5.0%	6.3%
Service Disabled Veteran Owned Small Business	3.0%	6.1%
Women Owned Small Businesses	5.0%	5.7%
Hubzone Small Businesses	3.0%	1.7%

As evidenced above, the Agency is currently poised to meet or exceed most of its small business goals in FY 2013 prior to potential contract cuts or reductions due to sequestration.

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Again, thank you for your letter. If you have any further questions, please contact me or your staff may call Christina Moody in the EPA's Office of Congressional and Intergovernmental Relations at (202) 564-0260.

Sincerely,

Maryann Froehlich
Acting Chief Financial Officer

FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, DC 20429

MARTIN J. GRUENBERG
CHAIRMAN

April 30, 2013

Honorable Mary L. Landrieu
Chair
Committee on Small Business & Entrepreneurship
United States Senate
Washington, D.C. 20510

Dear Chairman Landrieu:

Thank you for your letter requesting information on how the reduced spending levels established by the Budget Control Act of 2011 would affect the Federal Deposit Insurance Corporation's small business contracting activities. You also asked that we share our progress toward meeting a small business contracting goal for 2013.

The FDIC is not an appropriated agency subject to the sequestration budget cuts. Therefore, we do not expect sequestration to directly affect our current contracting practices, including our small businesses contracting. We do expect, however, that our overall contracting needs will continue to decline as the economy improves and fewer banks fail, but we will continue to reach out to businesses of all sizes in our contracting program.

While the FDIC, as a non-appropriated agency, does not have an established small business contracting goal under the Small Business Act, the FDIC strongly supports small businesses and recognizes the critical importance of small businesses to our economy. To date, for FY 2013, the FDIC has awarded 19 percent of its prime contract awards to small businesses and will continue working to promote contracting opportunities for businesses of all sizes, including small businesses and minority- and women-owned businesses.

The FDIC also actively sponsors programs and activities specifically designed to promote the success of small businesses. For example, the FDIC maintains a significant small business resource page on our external website: http://www.fdic.gov/about/diversity/sbrp/. The objective of our Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. It provides a step-by-step guide to contracting with the FDIC. It also references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.

Thank you for your interest in this important subject. If you have additional comments or questions, please feel free to contact me at (202) 898-3888 or Eric Spitler, Director, Office of Legislative Affairs, at (202) 898-7140.

Sincerely,

Martin J. Gruenberg

Martin J. Gruenberg

The Administrator

June 14, 2013

The Honorable Mary L. Landrieu
Chair Committee on Small Business
and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chair Landrieu:

Thank you for your letter dated April 1, 2013, regarding reduced agency spending at the sequestration levels created under the Budget Control Act of 2011, and the effect of spending reductions on small businesses.

As requested, the U.S. General Services Administration (GSA) is pleased to provide an update regarding progress made towards meeting small business contracting goals. To date, GSA is exceeding its 30 percent agency-wide small business goal of eligible procurement dollars by 3 percent and is on target to meet or exceed its small business goals for Fiscal Year 2013. Please find the GSA Small Business Dashboard enclosed.

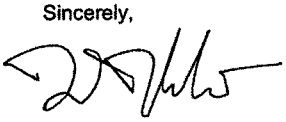
To ensure maximum small business participation in GSA's procurement process, GSA continues to update, and make available, the Agency's procurement forecast. To date, GSA has not had a significant reduction in its procurement forecast due to the sequestration, and therefore, there has been little impact on large prime contractors and small business contractors GSA's small business goal performance remained consistent, exceeding 30 percent, before and during sequestration. GSA's Office of Small Business Utilization has robust acquisition support mechanisms in place to ensure that small businesses are receiving the maximum practicable opportunity to participate in GSA contracts regardless of the fiscal environment. Such mechanisms include acquisition plan reviews, Form 2689 Small Business Analysis Record reviews, subcontracting plan reviews, and Procurement Management Reviews that monitor compliance with small business procurement rules and regulations.

Thank you for your concern. We remain committed to maximizing small business opportunities and meeting and exceeding the Agency's small business contracting goals, and assisting customer agencies with doing the same.

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405
Telephone: (202) 501-0800
Fax: (202) 219-1243

If you have any additional questions or concerns, please do not hesitate to contact me at (202) 501-0800 or Ms. Lisa A. Austin, Associate Administrator, at (202) 501-0563.

Sincerely,



Dan Tangherlini
Acting Administrator

Enclosure
Small Business Goaling Report as of April 25, 2013

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

May 13, 2013

CHAIRMAN

The Honorable Mary L. Landrieu
Chairman, Committee on Small Business
and Entrepreneurship
United States Senate
Washington, D.C. 20510

Dear Madam Chairman:

On behalf of the U.S. Nuclear Regulatory Commission (NRC), I am responding to your letter of April 1, 2013, requesting information regarding the effects of sequestration on our small business contracting. The NRC has an excellent record of, and ongoing commitment to, contracting with small businesses. We recognize the vital role small businesses play in maintaining a competitive supplier base and assisting in the economic recovery of the Nation through job creation. I am pleased to be able to report that for fiscal year 2013 to date, the agency is exceeding all five of its small business prime contract goals, including more than doubling its performance goals for small disadvantaged firms and women-owned small businesses.

As a result of budgetary constraints caused by sequestration, the NRC has reduced contract funding, primarily in the areas of information technology, environmental analysis, and long-term research support to maintain adequate funding for mission essential functions. Letters regarding the implications of sequestration were sent to affected NRC contractors on April 4, 2013. We currently anticipate that 17 commercial contracts will have cuts totaling $3.7 million; $1 million of which are small business prime contracts. Of those 17 commercial contracts, six are contracts to small businesses, eight are to large businesses (six prime contractors have subcontracting plans for small business concerns), and three are to educational institutions. The NRC's Division of Contracts is working with the technical program offices to determine how each contract will be specifically affected by the sequestration order, e.g., whether individual contractors will slow down work or whether some work will be stopped completely. As we assess the impact to specific contractors, we will pay particular attention to the potential impacts on small businesses and will work to mitigate them to the extent possible. This will include determining the need to provide guidance to other-than-small-business prime contractors on minimizing impacts on their small business subcontractors and suppliers.

I hope that this information is helpful to the Committee. If you have any additional questions, please contact me or Rebecca Schmidt, Director of the Office of Congressional Affairs, at (301) 415-1776.

Sincerely,

Allison M. Macfarlane

cc: Senator James E. Risch

MARY L. LANDRIEU, LOUISIANA, CHAIR
JAMES E. RISCH, IDAHO, RANKING MEMBER

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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

April 1, 2013

The Honorable Allison M. Macfarlane
Chairman of the U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Dear Madam Chairman:

Congress has now passed a continuing resolution stipulating that federal agencies operate under reduced spending at the sequestration levels created under the Budget Control Act of 2011. As Chair of the Senate Committee on Small Business & Entrepreneurship, I have concerns about how the implementation of these reductions will affect our small businesses and federal agencies. As you are aware, each federal agency has a small business contracting goal. As committee Chair, I request that you share your progress toward meeting this goal in 2013.

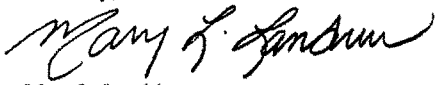
As we face the challenges of budget reductions, we should ensure that small businesses do not bear a disproportionate share of the burden. Please describe for committee review the effects of sequestration on your agency's small business contracting activities relative to the overall cuts in contracts awarded by your agency. Specifically, please identify the areas that are experiencing the most reductions and the level of small business participation in those areas prior to sequestration. Also, please detail what mechanisms are in place to monitor such impacts, and the actions being taken to mitigate the impact of these cuts.

I am interested in knowing to what extent both large prime contractors and small business contractors are being impacted. I would also like to know what guidance has been given to help them minimize impacts to their small business suppliers. Please submit this information by April 22, 2013.

Small businesses are critical to the growth and recovery of our economy, thus we must be able to quantify the problem if we are to attempt to craft a solution. These businesses are capable of providing the same, and in many case, superior products and services as large companies. They should be given the same opportunities to do business with the federal government.

I thank you in advance for your attention to this matter. Should you have any questions or concerns, please do not hesitate to contact the committee's Majority Staff Director, Jane Campbell, at jane_campbell@sbc.senate.gov or at (202) 224-0095.

Sincerely,



Mary L. Landrieu

cc:

Joshua Pollack, White House Liaison
Ed Pagano, White House Liaison
Senator Harry Reid, Majority Leader
Senator Barbara Mikulski, Chair of the Senate Committee on Appropriations

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230

nsf

OFFICE OF THE
DIRECTOR

April 30, 2013

The Honorable Mary Landrieu
United States Senate
Committee on Small Business
and Entrepreneurship
Washington, DC 20510

Dear Senator Landrieu:

Thank you for your letter of April 10, 2013, requesting information concerning how the implementation of spending reductions contained in the recently passed FY 2013 appropriation affect the National Science Foundation (NSF) in the area of small business. I am pleased to share with you NSF's progress and actions in regard to small business during this challenging time.

As of April 15, 2013, NSF's percentage of funding obligations to small businesses for FY 2013 is 7.3 percent, and our small business goal for FY 2013 is 20 percent. While our current rate of obligation is low due to the NSF funding profile to date, it is anticipated that our small business percentage will improve over the remaining months in the fiscal year. The current rate of NSF small business performance has not been impacted by spending reductions.

It is not possible at this time, however, to gauge the impact, if any, of sequestration on NSF's total funding obligations to small businesses in FY 2013. It is likely that the impact will roughly parallel the change in NSF's total funding.

NSF has a number of mechanisms in place to monitor any potential impacts. We maintain policies that strategically align oversight and accountability measures with the NSF's proactive outreach and small business assistance program. This allows for oversight and accountability to incorporate policy development, monitoring goal achievement, and ensuring contracts over $150,000 in value are closely scrutinized for small business preference.

NSF outreach includes providing forecast and identification of contract opportunities, participating in numerous vendor conferences throughout the year, and one-on-one small business counseling and assistance.

A monthly briefing to the NSF Senior Procurement Executive has been conducted to monitor small business performance throughout FY 2013. At these meetings, all Small Business Administration assigned small business socioeconomic goals are compared to prior and current fiscal year performance and analyzed.

We agree small businesses are critical to the growth and recovery of the economy. I want to assure you that NSF is committed to utilizing small business in support of the NSF mission and being proactive in increasing small business access to contracting opportunities. Thank you for your interest and the opportunity to provide you this information. Please let me know if you have any additional questions on this issue.

Sincerely,

Cora B. Marrett

Cora B. Marrett
Acting Director

cc: Joshua Pollack
Ed Pagano
Senator Harry Reid
Senator Barbara Mikulski

MARY L. LANDRIEU, LOUISIANA, CHAIR
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WILLIAM M. COHAN, MASSACHUSETTE

DAVID VITTER, LOUISIANA
MARCO RUBIO, FLORIDA
RAND PAUL, KENTUCKY
TIM SCOTT, SOUTH CAROLINA
DEB FISCHER, NEBRASKA
MICHAEL ENZI, WYOMING
ROY JOHNSON, WISCONSIN

JANE CAMPBELL, DEMOCRATIC STAFF DIRECTOR
SKIPPINGTON E. HOLTERMANN, REPUBLICAN STAFF DIRECTOR

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

April 10, 2013

Dr. Subra Suresh
Director
National Science Foundation
4201 Wilson Boulevard, Room 1205
Arlington, VA 22230

Dear Director Suresh:

Congress has now passed a continuing resolution stipulating that federal agencies operate under reduced spending at the sequestration levels created under the Budget Control Act of 2011. As Chair of the Senate Committee on Small Business & Entrepreneurship, I have concerns about how the implementation of these reductions will affect our small businesses and federal agencies. As you are aware, each federal agency has a small business contracting goal. As committee Chair, I request that you share your progress toward meeting this goal in 2013.

As we face the challenges of budget reductions, we should ensure that small businesses do not bear a disproportionate share of the burden. Please describe for committee review the effects of sequestration on your agency's small business contracting activities relative to the overall cuts in contracts awarded by your agency. Specifically, please identify the areas that are experiencing the most reductions and the level of small business participation in those areas prior to sequestration. Also, please detail what mechanisms are in place to monitor such impacts, and the actions being taken to mitigate the impact of these cuts.

I am interested in knowing to what extent both large prime contractors and small business contractors are being impacted. I would also like to know what guidance has been given to help them minimize impacts to their small business suppliers. Please submit this information by April 22, 2013.

Small businesses are critical to the growth and recovery of our economy, thus we must be able to quantify the problem if we are to attempt to craft a solution. These businesses are capable of providing the same, and in many case, superior products and services as large companies. They should be given the same opportunities to do business with the federal government.

I thank you in advance for your attention to this matter. Should you have any questions or concerns, please do not hesitate to contact the committee's Majority Staff Director, Jane Campbell, at jane_campbell@sbc.senate.gov or at (202) 224-0095.

Sincerely,

Mary L. Landrieu

CC:
Joshua Pollack

Ed Pagano

Senator Harry Reid

Senator Barbara Mikulski

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

JUN 13 2013

The Honorable Mary L. Landrieu
Chair
Committee on Small Business and Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, DC 20510-6350

Dear Chair Landrieu:

This letter is in response to your April 1, 2013, letter regarding the effects of sequestration on small business contracting at the Office of Personnel Management (OPM). I appreciate the opportunity to reply.

OPM has experienced no reduction in small business contracting and, at this time, does not expect any change. While OPM has reduced its spending in other areas due to sequestration, these actions do not affect the access of small businesses to Federal contracts. OPM will continue to define a strategic and comprehensive strategy for the use of small business contractors, and continue to engage and execute a variety of initiatives designed to yield overarching near- and long-term program improvements. In fact, the agency anticipates an overall SBA Small Business Scorecard rating of "B" for FY12.

OPM's comprehensive FY13 strategy is to continue with the refinement and focus on outreach, training, advocacy, and strategic partnering which have proven to be successful for other Federal agencies. If you need further information, please contact Tania A. Shand, Director, Office of Congressional, Legislative, and Intergovernmental Affairs, at 202-606-1300.

Sincerely,

Elaine Kaplan
Acting Director

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

May 15, 2013

The Honorable Mary L. Landrieu
Chair
United States Senate
Committee on Small Business & Entrepreneurship
Washington, DC 20510-6350

Dear Madam Chair:

Thank you for your recent letter expressing concern for the effect of sequestration on small business contracting.

As you know, the U.S. Small Business Administration (SBA) has the highest small business utilization goal of any federal agency at 67 percent. After reviewing our sequestration plan for fiscal year (FY) 2013, SBA does not expect to reduce its spending on small business contracts as a result of the reduced, post-sequestration funding levels. Instead, SBA will be achieving its required reductions by reducing direct and guaranteed lending, reducing grants to our business partners, and not backfilling vacant positions.

The current status of SBA's progress towards meeting the FY 2013 Small Business (SB) Utilization Goal and the related Sub-Goals is provided in the attached table. As of May 8th, 2013, the Agency has awarded over 61 percent of its contracts to a small business. The SBA purchases roughly $100 million in goods and services throughout the fiscal year with the majority of awards occurring in the final two quarters of the fiscal year. The Agency is confident that it will meet its SB Utilization targets in FY 2013.

I appreciate the Committee's continued interest in and support of the small business community. If you and your staff should have any additional questions or concerns, please contact Nick Coutsos, SBA's Assistant Administrator for Congressional and Legislative Affairs, at (202) 205-6335.

With warmest regards,

Karen G. Mills

Enclosure

SBA Small Business Utilization Goals for FY 2013 (as of 5/8/13):

Small Business Administration	# of Actions	$ Amount	% of Total	Goal	Δ% from Goal
Total Small Business Eligible Actions	457	$22,409,799.06			
Small Business Actions	301	$13,693,595.04	61.11%	67.00%	-5.89%
Small Disadvantaged Business Actions	120	$8,241,698.32	36.78%	5.00%	31.78%
Women Owned Small Business Actions	69	$1,994,165.01	8.90%	5.00%	3.90%
Certified HUBZone Small Business Actions	14	$383,336.34	1.71%	3.00%	-1.29%
Service Disabled Veteran Owned Small Business Actions	24	$678,019.47	3.03%	3.00%	0.03%
Veteran Owned Small Business Actions	30	$704,720.45	3.14%	n/a	3.14%
8(a) Procedure Actions	52	$6,661,618.59	29.73%	n/a	29.73%

An Official Web site of the United States Government

Tuesday, May 07, 2013 Text Show Text

SMALLBUSINESS DASHBOARD

ADVANCED SEARCH SEARCH

Home Data Feeds FAQs Feedback

Small Business Contracts

Show only Recovery Act Contracts FY 2013 GO

Report Data Issues

Filters: FY 2013 Funding Agency: GENERAL SERVICES ADMINISTRATION Clear All

View Summary GO

Performance By Goal

Goal Category	Eligible Dollars	Actual Dollars	Goal %	Actual %
Small Business	$2.0B	$634.7M	30 %	31.27 %
Small Disadvantaged Business	$2.0B	$336.0M	5 %	16.55 %
Women Owned	$2.0B	$151.2M	5 %	7.45 %
Service Disabled Veteran Owned	$2.0B	$48.6M	3 %	2.4 %
Certified HUBZone Small Business	$2.0B	$37.0M	3 %	1.82 %

Top 5 States by Vendor Location

1.Virginia	$147,458,769
2.Maryland	$89,479,311
3.Texas	$64,161,996
4.California	$62,384,258
5.Alaska	$28,750,082

Top 5 Products or Services Sold

Some of the PSC descriptions were changed on 10/1/2011. When data records span this date, the PSC description that is displayed may be different, depending on the requested level of detail or section of the website. This variation is an expected result and does not reflect an error. For more information and examples, please see http://usaspending.gov/learn?tab=FAQ#28

Close

1.Unknown	$116,221,603
2.Passenger Motor Vehicles	$66,716,888
3.Unknown	$44,741,241
4.Other Professional Services	$39,963,044
5.Custodial Janitorial Services	$38,353,424

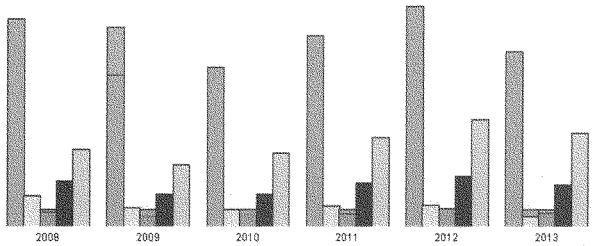
Top 5 Type of Contracts Used

1.Firm Fixed Price	$498,193,133
2.Fixed Price with Economic Price Adjustment	$98,898,213
3.Labor Hours	$12,283,634
4.Not Reported	$9,411,211
5.Time and Materials	$8,383,400

Top 5 Major Contracting Agencies

1.General Services Administration	$634,668,964
2.Department of Health and Human Services	$0
3.Department of Energy	$0
4.Department of Defense	$0

Contracts Timeline



Small Business
Hub Zone
Service Disabled Veteran Owned
Women Owned
Small Disadvantaged Business

Data in the Small Business Dashboard may differ from the data in the annual Small Business Goaling Report issued by SBA. The annual Small Business Goaling Report is generated by taking a snap-shot of data from the Federal Procurement Data System (FPDS) on a certain date. FPDS is a dynamic database, and agencies can change historical information if the details of a contract have changed. The contracts data in this dashboard reflects data downloaded from FPDS as of -. Please note that availability of DOD contracts data is delayed by 90 days to protect operations tempo. For more information about the data, data sources, and data timelinase, please see Learn

Smithsonian Institution

Nell Payne
Director of Government Relations

April 19, 2013

The Honorable Mary Landrieu
Chairman, Committee on Small Business and Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, DC 20510

Dear Madam Chairman:

Secretary Clough has referred your request regarding the impact of reductions in spending pursuant to sequestration as required by the Budget Control Act of 2011 on large prime contractors and small business contractors working with the Smithsonian to my office for response. The overall sequestration reduction to the Smithsonian Institution is nearly $41 million in fiscal year 2013. Below please find a summary of those contracts impacted to date by budget category.

Maintenance: The Smithsonian is deferring all remaining maintenance projects this year totaling approximately $4 million. The impact to small and other socio-economically disadvantaged businesses is estimated to be approximately $2 million.

Capital: The Smithsonian is reducing awards for facility capital projects by $8.8 million, all of which was allocated for three large projects awarded to large businesses; the National Museum of African American History and Culture (NMAAHC), the National Zoological Park General Services Building, and the design of the National Museum of Natural History exhibit, *Deep Time*. Considering that our large prime contractors (construction or design) have the goal of awarding 23%-42% of subcontracts to small businesses and other socio-economically disadvantaged businesses, the impact is estimated to be approximately $3 million not being awarded this year to small businesses. However, assuming that these contracts will be funded in subsequent year(s), there will be no impact to small business and other socio-economically disadvantaged businesses over the life of the contracts.

Security Guard Services: The Smithsonian is reducing the number of contract security guard posts by an estimated 10-27 positions. The contract is with a large business and the impact is between $300,000 to $800,000.

Smithsonian Institution Building Room T-360
1000 Jefferson Drive SW
Washington DC 20560-0019
202.633.5125 Telephone
202.786.2274 Fax

Mailing Address:
Smithsonian Institution
Office of Government Relations
P.O. Box 37012 MRC 019
Washington, DC 20013

Desktop Computers: The Smithsonian is reducing funds for the purchase of desktop computers. The contract is with a large business and the impact is approximately $800,000.

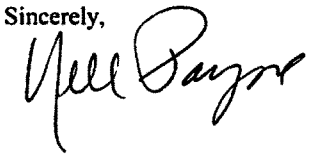
IT Contractor Support: The Smithsonian is reducing funds for contractor IT support. The contract is with a small business and the impact is approximately $200,000.

The Smithsonian is taking steps to mitigate the effects of the sequestration on small businesses. We have held several small business fairs/venues this year, particularly for opportunities at our newest museum, NMAAHC. The Office of Contracting & Personal Property Management (OCon&PPM) is meeting monthly with the Office of Equal Employment and Minority Affairs (OEEMA) to review our small business goals and to discuss strategies to continue to reach out to small and other socio-economically disadvantaged businesses. OCon&PPM and OEEMA are meeting with the Smithsonian Web Masters in early May to discuss establishing new Indefinite Delivery Indefinite Quantity contracts with small and other socio-economically disadvantaged businesses.

For additional information or to answer any questions your committee may have, please contact me in the Smithsonian's Office of Government Relations at 202-633-5125 or paynen@si.edu.

Thank you for your inquiry.

Sincerely,



SOCIAL SECURITY
The Commissioner

13 APR 31 AM 7 5

April 29, 2013

The Honorable Mary L. Landrieu
Chair, Committee on Small Business & Entrepreneurship
United States Senate
Washington, D.C. 20510

Dear Madam Chair:

Thank you for your letter dated April 1, 2013, concerning sequestration and its effect on small businesses. In your letter, you asked me to share with you our progress towards meeting our fiscal year (FY) 2013 small business contracting goal. I am pleased to report we are currently meeting our FY 2013 goal of 32 percent. As of April 12, 2013, we awarded 34.55 percent of our contract dollars to small businesses.

You also asked me to describe the effects of sequestration on our small business contract activities. At this time, we do not anticipate cancelling, suspending, or reducing the scope of any existing contracts and orders. Accordingly, we do not foresee any immediate reductions in contracting activity. However, budget cuts may affect some contract activity in the future.

We are continuing our outreach activities to small businesses and our internal education of staff concerning the importance of the small business program. Additionally, on June 13, 2013, we will hold our annual small business procurement conference. We are hopeful that, through these activities, we will avoid any reduction in our small business achievement.

If you have further questions, please contact me or have your staff contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

Carolyn W. Colvin
Acting Commissioner

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

May 23, 2013

The Honorable Mary Landrieu
Chairman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairman Landrieu:

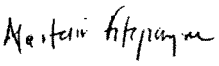
Thank you for your letter regarding the impact of sequestration on small businesses.

Treasury's Fiscal Year 2013 small business contracting goal is 32 percent of eligible obligated dollars. The Department's planned sequestration reductions take this goal into consideration. Treasury projects, based on information to date, that 33 percent of anticipated funding reductions will affect small business contracts and 67 percent will affect large business contracts. Specific small business impacts include a reduction in orders of fabricated metal for circulating coins, electronic media, and imaging support. In addition to reviewing specific proposed contract reductions, Treasury has taken actions to mitigate the overall effect on small business contracts. We closely monitor progress toward meeting small business goals, including weekly reviews of obligations, to ensure we are on track to achieve our goals and will continue to do so as budget cuts from sequestration work their way through the procurement process.

Treasury has achieved its overall small business goal in each of the past two fiscal years, and we are on track to again meet or exceed our 2013 goal. Our strategies include targeted outreach, enhanced leadership accountability, and increasing intra-agency cooperation and communication. Small business goals are included in manager performance evaluation plans, which help drive contracting decisions toward small businesses. Small business outreach events are published on Treasury's public-facing websites, and Treasury representatives regularly attend matchmaking events to inform small businesses about forecasted contract opportunities and to identify those that could potentially address Treasury contracting needs. These strategies have proven successful in the past, and we hope they will continue to help us meet our goal going forward.

Thank you for the opportunity to share information on Treasury's small business program. If you have any questions, please let me know, or your staff may contact Lisa Peña, Office of Legislative Affairs, at (202) 622-1922.

Sincerely,



Alastair M. Fitzpayne
Assistant Secretary for Legislative Affairs

cc: The Honorable Harry Reid
The Honorable Barbara Mikulski

March 12, 2013

Dear Contractor,

As you are likely aware, due to the failure of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President on March 1, 2013, required by law, issued a sequestration order canceling approximately $85 billion in budgetary resources across the Federal government for the remainder of the Federal fiscal year. As partners with the United States Agency for International Development (USAID), we are writing to provide you with timely and clear information about how these unfortunate budget cuts impact us, and in turn what it means for funds provided to your company.

At this time, USAID is taking every step to mitigate the effects of these cuts, but based on our initial analysis, it is likely that your company's workforce, revenue, and planning processes may be affected. For example, USAID may decide not to exercise an option on your contract or may need to negotiate lower prices or other terms via a bilateral modification to meet the constraints imposed by sequestration. The Agency may also determine it necessary to stop or suspend work, reduce the scope of work, or partially or completely terminate your contract for convenience. Additionally, planned contract actions for new work may be re-scoped, delayed, or canceled depending on the nature of the work and the degree to which it directly supports the agency's mission goals.

To the extent that your contract is affected due to these budget cuts, you will be contacted by the appropriate Contracting Officer with additional details.

Thank you for your continued partnership with the United States for International Development and for your cooperation as we work together to manage these unfortunate circumstances.

Sincerely,

Aman S. Djahanbani

Aman S. Djahanbani

Senior Procurement Executive

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

March 12, 2013

Dear Recipient,

As you are likely aware, due to the failure of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President on March 1, 2013, required by law, issued a sequestration order canceling approximately $85 billion in budgetary resources across the Federal government for the remainder of the Federal fiscal year. As partners with the United States Agency for International Development (USAID), we are writing to provide you with timely and clear information about how these unfortunate budget cuts impact us, and in turn what it may mean for funds provided to USAID assistance recipients.

At this time, USAID is taking every step to mitigate the effects of these cuts, but based on our initial analysis, it is possible that your organization's workforce, revenue, and planning processes may be affected. For example, USAID may determine it necessary to reduce current or future funding of your agreement or completely terminate your assistance agreement.

To the extent that your agreement is affected due to these budget cuts, you will be contacted by the appropriate USAID Agreement Officer with additional details.

Thank you for your continued partnership with the United States Agency for International Development and for your cooperation as we work together to manage these unfortunate circumstances.

Sincerely,

Aman S. Djahanbani

Aman S. Djahanbani

Senior Procurement Executive

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

MAY 0 2 2013

The Honorable Mary L. Landrieu
Chairwoman
Committee on Small Business & Entrepreneurship
U.S. Senate
Washington, DC 20515

Dear Madam Chairwoman:

Thank you for your letter of April 1, 2013, concerning the impact on our small business partners due to sequestration-related cuts in spending.

The U.S. Agency for International Development (USAID) has a strong track record in small business contracting. For each of the past two fiscal years, FY 2011 and FY 2012, USAID achieved its goal of awarding 11 percent of new contracts to small businesses. We are on target to achieve this goal in FY 2013 as well.

In FY 2013, for the first time, USAID established an internal small business goal program to support all Bureaus and Offices with domestic obligations greater than $5 million. These achievements and supporting actions reflect our ongoing commitment to small business procurement.

Sequestration will affect the small business community as well as our prime contractors. We have communicated to our partners the enclosed notice of possible impact of sequestration, based on guidance from the Office of Management and Budget. While circumstances may change, our current understanding is that the FY 2013 impact will be limited, but that there may be greater impact in FY 2014 and beyond, depending on future budget levels.

Our primary mechanism for monitoring and mitigating the potential impact of sequestration-related cuts is continuous communication with our partners, formally and informally. We are aware that there are significant concerns surrounding budget cuts and are working to the maximum extent practicable to provide information as it becomes available.

If I can provide you with further information, please contact me at (202) 712-4300.

Sincerely,

T. Charles Cooper

T. Charles Cooper
Assistant Administrator
Bureau for Legislative and Public Affairs

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

USDA
United States Department of Agriculture
Office of the Executive Secretariat
1400 Independence Avenue SW, Washington DC 20250-3301

202-720-7100 (Voice)
202-720-2166 (Fax)

Date:

To: The Honorable Mary L. Landrieu

Voice:

Fax: 202-224-9735

Subject:

Remarks:

The original letter has been mailed.

USDA Mission
Enhance the quality of life for the American people by supporting production of agriculture.

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JUN 1 2 2013

The Honorable Mary L. Landrieu
Chair
Committee on Small Business and Entrepreneurship
United States Senate
428A Senate Russell Office Building
Washington, D.C. 20510

Dear Madam Chair:

Thank you for your letter of April 1, 2013 regarding the impact of reduced spending on small business contracting at the Department of Agriculture (USDA) as a result of the March 1, 2013, sequestration order issued pursuant to Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. I apologize for the delay in this response.

I am pleased to share with you USDA's actions and progress on meeting our small business goals during this difficult period. USDA awarded nearly 50 percent of the total $1.5 billion eligible acquisitions in fiscal year (FY) 2013 to small business concerns. This achievement has been accomplished by the USDA procurement community working in concert with the agencies' program offices to provide contract opportunities to small businesses.

USDA has a comprehensive set of policies that strategically align its oversight and accountability measures with the agencies' proactive outreach and small business assistance program across USDA's large decentralized mission areas. This alignment allows oversight and accountability to incorporate policy development, monitor goal achievement, clear contracts over $150,000 not already set-aside for small business, and communicate with top-level USDA program officials on small business issues.

USDA contracting staffs and program offices receive ongoing reports regarding their small business utilization rates and status, outreach assistance, forecast and identification of contract opportunities, support to USDA agencies, monthly vendor outreach sessions, and one-on-one small business counseling and assistance.

In FY 2013, cost reduction efforts coupled with required sequestration budget reductions will result in a lowering of overall purchases related to non-food commodity acquisitions from both large and small businesses. In view of these reductions, USDA will continue to proactively provide contract opportunities to small businesses.

USDA leadership is keenly aware of the obligations for-and the benefits of-utilizing small businesses in support of the USDA mission. USDA's continuing commitment to broadening access to contracting opportunities by small businesses will stimulate small business ownership, economic growth, and create jobs.

Again, thank you for writing. If you have further questions, please have a member of your staff contact Brian Baenig, Assistant Secretary for Congressional Relations, at (202) 720-7095.

Sincerely,

Thomas J. Vilsack
Secretary

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
April 30, 2013

13 MAY -6 PM 3:21

The Honorable Mary L. Landrieu
Chairman
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chairman:

Thank you for your letter regarding the effects of sequestration on small business contracting at the Department of Veterans Affairs (VA).

Congress provided in the Statutory Pay-As-You-Go Act of 2010 (Public Law 111-139) that the programs VA administers will be exempt from any sequestration order under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Also exempt are intragovernmental funds making outlays based primarily on transfers from other governmental accounts; this includes VA's Supply Fund, which is used to execute much of our contracting.

I am deeply grateful that Congress adopted these provisions enabling us to fulfill our duty to Veterans. VA will continue to be good stewards of these resources by scrutinizing every event, initiative, program, and proposal to assure each is essential and will produce positive, measurable returns toward accomplishing our mission.

Small businesses provide crucial capabilities to help VA deliver quality care and services to Veterans, their families and Survivors. VA is fully committed to contracting with Veteran-Owned Small Businesses, especially Service-Disabled Veteran-Owned Small Businesses (SDVOSB), and awards more dollars to SDVOSBs than all other Federal civilian agencies combined. VA has exceeded the government-wide SDVOSB goal every fiscal year since 2006, and currently achieves more than 6 times that 3 percent goal. We are on track to deliver another successful year in 2013.

Thank you for your continued support of our mission.

Sincerely,

Eric K. Shinseki

April 15, 2013

The Honorable Mary Landrieu, Chairman
Committee on Small Business
& Entrepreneurship
428-A Russell Senate Office Building
Washington, DC 20510

The Honorable James E. Risch
Ranking Member
Committee on Small Business
& Entrepreneurship
428-A Russell Senate Office Building
Washington, DC 20510

Dear Chairman Landrieu,

I am contacting you behalf of Mid-Tier Advocacy (MTA), which represents advanced small and mid-size federal contractors. As you are aware these matured successful businesses provide products and services to the government and employ thousands of people across the country, many of whom are veterans.

I am writing to express our deep concerns for the sustainability of many of these mid-tier firms during these steep budget cuts and strangling uncertainties that exist today. Of the many issues facing you and your colleagues, none will have a more significant impact on the small and emerging mid-tier business than the reductions being experienced today. The most damaging effect is already being felt by the thousands of defense industry suppliers, many of them minority, veteran, or woman-owned small businesses, which will simply be forced out of business, and in-turn will add their current employees to the growing role of the unemployed.

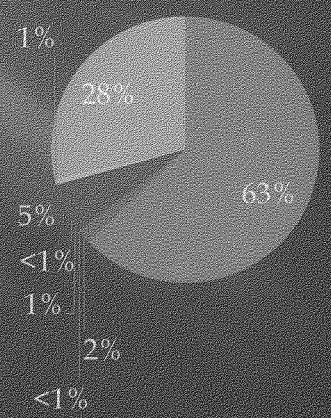
I understand that budget reductions are necessary and inevitable. I also believe that this presents an opportunity for the government to further examine out-dated policies that do not currently reflect the way services, products and suppliers are doing business today. The National Defense Authorization Act of 2013 (NDAA) included a study on sustainability of small business after they have grown beyond the current size standards. Although, this study is a noble attempt aimed at finding a solution to strengthen the industrial base, however, since passage of the NDAA the budget cuts that have now taken effect have further adversely impacted the contractor community, in particular those who are sub-contractors. It is our position that congress proceed with the advanced small business pilot that the House of Representatives passed as a way for the government agencies to save money by having direct access to these advanced small and mid-size firms.

As a coalition of concerned small and mid-size businesses, we urge the committee to examine the impact that sequestration is having on the subcontracting community before more jobs are lost and more businesses are no longer able to survive.

Tonya M. Speed, Executive director
Mid-Tier Advocacy (MTA)

Small Business Prime Contracting

Department of Defense:	$57.4 Billion
Department of Homeland Security:	$4.2 Billion
General Services Administration:	$1.4 Billion
Department of Energy:	$1.3 Billion
Department of Transportation:	$ 0.73 Billion
USAID:	$0.18 Billion
Small Business Administration:	$0.088 Billion
Other :	$26.02 Billion



Total Small Business Prime Contracting: $91.5 Billion

2011 Small Business Procurement Scorecard

The Retired Military Officers Association

HEROES IN SERVICE – HEROES IN BUSINESS – HEROES IN LIFE

RMOA Officers

COL Frank Francois, III USA (Ret.)
President

MAJ Patricia A. Williams USA (Ret.)
Vice President

Ms. Annette Johnson
Secretary

COL Harvey Dickerson USA (Ret.)
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Standing Committee Chairs

COL Alfred Elliott USA (Ret.)
Business Development

Mr. Ted Adams, III
Financial Controls

LTC Claude Wood USA (Ret.)
Membership & Public Information

COL James George USA (Ret.)
Ways & Means

Special Committee Chairs

LTC Kevin Jennings USA (Ret.)
Activities Committee

Mrs. Tonya Speed
Legislative Policy Advisor

MAJ Patricia Williams USA (Ret.)
Parliamentary

RADM Anthony Watson USN (Ret.)
Business Roundtable

Emeritus Members

LTG Julius W. Becton, Jr. USA (Ret.)
LTG Arthur J. Gregg USA (Ret.)
COL Verle R. Hammond USA (Ret.)

The Retired Military Officers Association
P. O. Box 471301
District Heights, MD 20753

Office: (301) 856-9319
Fax: (301) 856-5220
Email: rmoaadmin@rmoa.org
Website: www.rmoa.org

RMOA is a non-profit IRS 501(c)(6) business association.

June 7, 2013

Mr. Thomas J. Leney
Executive Director, Office of Small and Disadvantage Business Utilization
Department of Veterans Affairs
810 Vermont Avenue, NW (00SB)
Washington, DC 20420

Dear Mr. Leney:

The purpose of this letter is to call attention to the Service Disabled Veteran-Owned Small Business (SDVOSB) verification process, an element of the Center for Veterans Enterprise (CVE), that is cause for alarm for SDVOSB's that have established Employee Stock Ownership Plans (ESOP) for the benefit of their employees, or will adopt an ESOP in the future.

The Retired Military Officers Association (RMOA) is an association of business owners who are proud and patriotic citizens that have served honorably in the armed services in peace and war. RMOA's primary mission is to contribute to the economic success of America through the enhancement of RMOA members' corporate economic power, thus charting a path for the economic growth of veterans in general, and RMOA members in particular.

Since RMOA provides assistance to its members in applying for SDVOSB verification, it is very important that we provide the correct information. Doing so will not only be beneficial to our members, but will also help reduce the workload of CVE that would be caused by processing and correcting/rejecting incorrect applications.

RMOA is concerned that Service Disabled Veterans (SDV) may be denied verification due to the existence of an Employee Stock Ownership Plan (ESOP) that owns more than 51% of the outstanding stock. We are concerned because the issue of ownership and control involving ESOPS was addressed by CVE in its final rule that is documented as 38 CFR §74.3 (a) but there seems to be some evidence to suggest that CVE examiners are disregarding the provisions related to ESOP's being considered "excluded stock".

While we do not believe that there are a large number of SDVOSB's that have established ESOP's at this time, employee ownership is an attractive benefit for both the company and its employees. Employers embrace employee ownership because it promotes loyalty and high quality work by workers who are given equity in the company. The employer also benefits by paying less federal tax since the ESOP trust is not a taxable entity. For employees, ESOP's provide an additional retirement plan. For these reasons, we believe that ESOP's will become increasingly attractive to SDVOSB's and, therefore, will require clear guidance from CVE on how evaluators will consider the existence of ESOP's with respect to the question of ownership and control.

The final rule comments state the following:

> *"Two comments were received concerning 38 CFR 74.3. One respondent recommended revising 74.3(a) to adopt language from the Internal Revenue Code, 26 U.S.C. 1563(c)(2)(B), which states that stock in a corporation that is held by an employees' trust described in section 401(a) of the Code will be treated as ``excluded stock" if 5 or fewer persons who are individuals, estates, or trusts own 50 percent or more of the total combined voting power of the corporation. Under this proposed language, if 4 individuals own 10 percent each and an Employee Stock Ownership Plan (ESOP) owns 60 percent, the stock held by the ESOP would be treated as excluded stock, and the four individuals would be treated as owning 100 percent of the outstanding stock. In this example, eligible parties would be required to own 51 percent or more of the outstanding stock (excluding the ESOP stock). Conversely, if there were 10 shareholders who own 9 percent each and an ESOP that owns 10 percent, the ESOP stock would be treated as outstanding stock. In this case, eligible parties would be required to own 51 percent of all outstanding stock, including the ESOP stock.*
>
> *The original text required that veterans own 51 percent of the outstanding stock (including employee stock ownership trusts). VA accepts this comment and has revised 38 CFR 74.3(a). The net effect of this change is that a company that is closely held by veterans would qualify regardless of the size of the ESOP. Alternatively, a firm that is not closely held by veterans will find it much more difficult to qualify for the Verification Program. This commenter noted that there are a number of government programs that are designed to encourage employee ownership as a technique to encourage teamwork, reduce employee turnover, and increase productivity. Adopting this change affects a small number of VOSBs and SDVOSBs that have adopted ESOPs and is consistent with the intent and spirit of public policy objectives."*

The final 38CFR 74.3(a) states the following:

> ***(a) Ownership must be direct.*** *Ownership by one or more veterans or service-disabled veterans must be direct ownership. An applicant or participant owned principally by another business entity or by a trust (including employee stock ownership plans [ESOP]) that is in turn owned by one or more veterans or service-disabled veterans does not meet this requirement. However, ownership by a trust, such as a living trust, may be treated as the functional equivalent of ownership by a veteran or service-disabled veteran where the trust is revocable, and the veteran or service-disabled veteran is the grantor, a trustee, and the sole current beneficiary of the trust. For employee stock ownership plans where 5 or fewer persons who are individuals, estates, or trusts own 50 percent or more of the total combined voting power of the corporation, the employee plan will be determined to be "excluded stock" and eligible parties must control 51 percent or more of the combined voting power of the corporation. For employee stock ownership plans where greater than 5 persons who are individuals, estates, or trusts own 50 percent or more of the total stock, eligible parties must control 51 percent or more of the combined voting power of the corporation, including the ESOP stock.*

In addition, Mr. Leney, your written testimony to the House Committee on Small Business, Subcommittee on Contracting and Workforce, and House Veterans Affairs Committee, Subcommittee on Oversight and Investigations on March 7, 2013, stated that VA added a provision when the final rule was published, based on public comments, which is specific to Employee Stock Option Plans (ESOP) which does not appear in either the SDVOSB or the (8) regulations. VA

included a provision that would consider certain ESOP's to meet the requirements of direct ownership by the Veteran(s).

Based on the above final regulatory language, our interpretation is that if the Service Disabled Veteran(s) (SDV) owns just 1% of the outstanding company stock and the ESOP owns 99%, the ESOP stock would be considered excluded stock and would not be considered direct ownership for the purpose of CVE verification. Rather, the 1% of outstanding stock directly owned by SDV's would be considered the controlling voting stock and the CVE focus would be to verify its direct ownership.

We request written confirmation that the above interpretation of 38 CFR 74.3(a) is correct, and if not, provide the CVE interpretation. We believe that it is critical that the CVE examiners and the SDVOSB applicants are working with the same understanding of whether the ESOP will be considered "excluded stock" and, therefore, enable the SDV to meet the requirements of direct ownership.

Your prompt reply will be highly appreciated.

Sincerely,

Frank Francois III
President

CC: Secretary Eric Shinseki
Department of Veterans Affairs
810 Vermont Avenue
Washington, DC 20420

Chairman Sam Graves
House Small Business Committee
2361 Rayburn House Office Building (RHOB)
Washington, D.C. 20515

Chairman Jeff Miller
House Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, D.C. 20515

Funding Department	Awarding Contracting Agency	Total Small Business Eligible $s
TRANSPORTATION, DEPARTMENT OF (690	FEDERAL HIGHWAY ADMINISTRATION (6925)	$490,628,607.78
TRANSPORTATION, DEPARTMENT OF (690	RESEARCH AND INNOVATIVE TECHNOLOGY ADMINISTRATION (6943)	$170,106,656.23
TRANSPORTATION, DEPARTMENT OF (690	IMMEDIATE OFFICE OF THE SECRETARY OF TRANSPORTATION (6901)	$130,050,700.54
TRANSPORTATION, DEPARTMENT OF (690	NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (6940)	$127,941,696.17
TRANSPORTATION, DEPARTMENT OF (690	FEDERAL RAILROAD ADMINISTRATION (6930)	$62,448,552.53
TRANSPORTATION, DEPARTMENT OF (690	MARITIME ADMINISTRATION (6938)	$52,496,392.68
TRANSPORTATION, DEPARTMENT OF (690	FEDERAL TRANSIT ADMINISTRATION (6955)	$50,971,631.51
TRANSPORTATION, DEPARTMENT OF (690	FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (6959)	$21,996,882.23
TRANSPORTATION, DEPARTMENT OF (690	PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATON (69	$18,942,079.68
TRANSPORTATION, DEPARTMENT OF (690	SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION (6947)	$5,996,466.77

Small Business $s	Small Business %	Small Disadvantaged Business $s	Small Disadvantaged Business %	Service Disabled Veteran Owned Small Business $s	Service Disabled Veteran Owned Small Business %
$205,575,314.71	41.9004%	$63,939,205.14	13.0321%	$29,070,082.61	5.9251%
$60,721,737.54	35.6963%	$35,293,044.69	20.7476%	$4,364,369.08	2.5657%
$40,581,358.12	31.2043%	$29,894,603.52	22.9869%	$1,969,575.38	1.5145%
$70,415,103.95	55.0369%	$19,770,313.77	15.4526%	$151,703.80	0.1186%
$25,495,791.72	40.8269%	$7,222,132.52	11.5649%	$663,000.00	1.0617%
$25,924,095.96	49.3826%	$18,208,175.82	34.6846%	$5,124,330.96	9.7613%
$20,526,028.51	40.2695%	$6,687,939.41	13.1209%	$1,473,814.30	2.8914%
$12,422,077.80	56.4720%	$7,831,565.04	35.6031%	$386,048.15	1.7550%
$13,570,286.22	71.6410%	$5,834,771.39	30.8032%	$510,383.72	2.6944%
$2,408,460.79	40.1647%	$8,592.14	0.1433%	$54,600.11	0.9105%

Women Owned Small Business $s	Women Owned Small Business %	Certified HUBZone Small Business $s	Certified HUBZone Small Business %
$31,144,588.32	6.3479%	$82,235,684.72	16.7613%
$20,910,897.62	12.2928%	$912,802.85	0.5366%
$22,594,889.14	17.3739%	$679,964.40	0.5228%
$7,771,023.87	6.0739%	$156,992.36	0.1227%
$5,762,235.21	9.2272%	$13,995.52	0.0224%
$11,429,637.47	21.7722%	$455,133.00	0.8670%
$12,328,967.03	24.1879%	-$529.31	-0.0010%
$232,189.62	1.0556%	$16,659.74	0.0757%
$814,712.25	4.3011%	$425,378.45	2.2457%
$310,023.00	5.1701%	$262,747.61	4.3817%