

**DEPARTMENT OF DEFENSE SMALL BUSINESS
TOOLS FOR ENHANCING THE INDUSTRIAL BASE**

HEARING

BEFORE THE

SUBCOMMITTEE ON READINESS AND
MANAGEMENT SUPPORT

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

MARCH 22, 2023

Printed for the use of the Committee on Armed Services



Available via: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

60-057 PDF

WASHINGTON : 2025

COMMITTEE ON ARMED SERVICES

JACK REED, Rhode Island, *Chairman*

JEANNE SHAHEEN, New Hampshire	ROGER F. WICKER, Mississippi
KIRSTEN E. GILLIBRAND, New York	DEB FISCHER, Nebraska
RICHARD BLUMENTHAL, Connecticut	TOM COTTON, Arkansas
MAZIE K. HIRONO, Hawaii	MIKE ROUNDS, South Dakota
TIM KAINE, Virginia	JONI ERNST, Iowa
ANGUS S. KING, Jr., Maine	DAN SULLIVAN, Alaska
ELIZABETH WARREN, Massachusetts	KEVIN CRAMER, North Dakota
GARY C. PETERS, Michigan	RICK SCOTT, Florida
JOE MANCHIN III, West Virginia	TOMMY TUBERVILLE, Alabama
TAMMY DUCKWORTH, Illinois	MARKWAYNE MULLIN, Oklahoma
JACKY ROSEN, Nevada	TED BUDD, North Carolina
MARK KELLY, Arizona	ERIC SCHMITT, Missouri

ELIZABETH L. KING, *Staff Director*

JOHN P. KEAST, *Minority Staff Director*

SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT

MAZIE K. HIRONO, Hawaii, *Chairman*

JEANNE SHAHEEN, New Hampshire	DAN SULLIVAN, Alaska
RICHARD BLUMENTHAL, Connecticut	DEB FISCHER, Nebraska
TIM KAINE, Virginia	KEVIN CRAMER, North Dakota
TAMMY DUCKWORTH, Illinois	TOMMY TUBERVILLE, Alabama
MARK KELLY, Arizona	MARKWAYNE MULLIN, Oklahoma

CONTENTS

MARCH 22, 2023

	Page
DEPARTMENT OF DEFENSE SMALL BUSINESS TOOLS FOR ENHANCING THE INDUSTRIAL BASE	1
MEMBERS STATEMENTS	
Statement of Senator Mazie D. Hirono	1
Statement of Senator Dan Sullivan	3
WITNESS STATEMENTS	
Mitha, Farooq A., Director, Office of Small Business Programs, Department of Defense	4
Buehler, Kimberly D., Director, Army Office of Small Business Programs, Office of The Secretary of the Army	12
Smith, Jimmy D., Director, Office of Small Business Programs, Department of the Navy	16
Kiser, Scott A., Director, Air Force Small Business Programs, Department of the Air Force	22
Questions for the Record	47

DEPARTMENT OF DEFENSE SMALL BUSINESS TOOLS FOR ENHANCING THE INDUSTRIAL BASE

WEDNESDAY, MARCH 22, 2023

UNITED STATES SENATE,
SUBCOMMITTEE ON READINESS AND
MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:31 p.m. in room SR-222, Russell Senate Office Building, Senator Mazie D. Hirono (Chairwoman of the Subcommittee) presiding.

Subcommittee Members present: Senators Hirono, Blumenthal, Kaine, Sullivan, Fischer, Tuberville, and Mullin.

OPENING STATEMENT OF SENATOR MAZIE D. HIRONO

Senator HIRONO. The Subcommittee on Readiness will come to order. Welcome, everyone. Good afternoon, or as we say in Hawaii, aloha everyone.

The Subcommittee meets today to consider testimony on the Small Business Programs of the Department of Defense (DOD) and the military departments.

Our witnesses today include Mr. Farooq Mitha. Am I pronouncing your name correctly?

Mr. MITHA. Yes.

Senator HIRONO. Sorry. You are over there.

Mr. MITHA. Yes.

Senator HIRONO. Mr. Mitha, the director, Office of Small Business Programs in the DOD; Ms. Kimberly Buehler, director, Army Office of Small Business Programs; Mr. Jimmy Smith, director, Navy Office Small Business Programs, and Mr. Scott Kiser, director, Air Force Small Business Programs.

As Chair of the Subcommittee I am focused on ensuring that our servicemembers and the large military community have the support they need to defend our Nation and that means modernizing our military infrastructure to meet the needs of the 21st century and preparing the services to meet the challenges posed by climate change.

It also means ensuring our Defense Industrial Base is ready and able to meet future demands, which is why today's hearing is so important.

I thank the witnesses for your willingness to share your insights with the Subcommittee and for your work to support and strengthen our military.

Collectively, you all bring many decades of experience supporting small businesses and that expertise is critical as we consider ways our Committee can help you as well as our servicemembers in carrying out our shared mission of ensuring our national security.

I hope you will also be able to highlight the vital work small businesses as well as approaches your organizations have taken to help successfully transition product into the hands of our servicemembers.

We also welcome your insight into how we can best help transition companies beyond their small business status. We all recognize the critical role that small businesses play in our economy and especially in our Defense Industrial Base ecosystem.

Small businesses play a vital role in spurring the kind of innovation necessary for our military to remain competitive and meet the challenges of the 21st century.

As noted by the recently released DOD Small Business Strategy, in fiscal year 2021 small businesses numerically made up 73 percent of all companies that did business with the DOD. Additionally, small businesses comprise 77 percent of the research and development (R&D) companies that did business with the DOD.

As I mentioned, especially at a time when being creative and innovative is important this is a really important number, 77 percent.

However, in the past decade the number of small businesses participating in the defense industrial base declined by over 40 percent. That is a significant drop in the number of small businesses doing work with the DOD.

That is a puzzling and just concerning trend and I hope that our witnesses will be able to shed some light on what you see as the dynamics causing this trend as well as some of the actions the Department can take to improve the situation.

This trend begs a number of questions related to our approach to small businesses including how good are our data and matrix in tracking the success or failure of these small businesses in the defense industrial base, especially as they try to contribute to larger competitiveness goals of the departments?

Do we have the means to support these businesses while they are small and also to help them transition to grow into medium and large businesses?

How could we improve the strategic approach to using and fostering our small businesses to contribute to national security missions?

In Hawaii, we know firsthand the importance of small businesses to the success of our armed forces and vice versa, businesses like RevaComm, a software company based in Honolulu. They demonstrate the importance of this relationship between DOD and small businesses.

Since 2019 this company has doubled its revenue, created 120 jobs, and expanded its presence to more than 25 states. Its success would not have been possible without support from the DOD, which included \$59 million in grants from the Air Force.

Thank you again to our witnesses. I look forward to our testimonies, and now I would like to recognize my friend, Ranking Member Senator Sullivan.

STATEMENT OF SENATOR DAN SULLIVAN

Senator SULLIVAN. Thank you, Madam Chair, and I am honored to be the ranking Member on the Readiness Subcommittee.

This is the first among equals of the subcommittees. Do not tell any of the other subcommittees about that, but it is true, and I look forward to a robust set of hearings. I am going to just make a statement here, more broadly.

Last Congress, we held one hearing in this Subcommittee in 2 years.

Senator HIRONO. It was jointly with my Committee.

Senator SULLIVAN. One hearing. Okay. No offense, but that is ridiculous.

We should be holding at least two hearings a month on readiness. There is nothing more important than the readiness of the U.S. military in this time of great power competition, the new era of authoritarian aggression, to have the most lethal military that can be ready to win wars and fight tonight, right now.

So I sure hope and you have my commitment we will do three hearings a month if you want. But one hearing in 2 years was an abdication of responsibility and we should never do that again on the Readiness Subcommittee. That is just my opening statement on that.

Two to three hearings a month. I am ready to ready to do it. Nothing more important than readiness of our military and it is not really ready right now, in my view.

I want to thank the witnesses as well. In January of this year, as the Chair mentioned, DOD updated their small business strategy.

We actually legislated on this issue in fiscal year 2019 in the 2019 National Defense Authorization Act (NDAA) and the whole purpose was to have Congress direct opportunities for our small businesses to support mission execution and the readiness of our forces and we had hoped that a unified small business strategy across the Department would expand small business engagement and opportunities across our economy.

Unfortunately, as the Chair mentioned, there has actually been a very significant decline of small business vendors contracting with the Department. So the trends are going the wrong way.

I believe that when small business opportunities are in decline it stifles opportunity, innovation, and can lead to increased acquisition costs.

One area in particular that I would like to explore that I think matters to many of our community, certainly my State of Alaska, I think, the Chair's state—great State of Hawaii as well—is the opportunities with native contractors.

I have been a strong advocate of the native 8(a) government contracting program and one of the reasons is it is a really good match. I like to say the Alaska native community (ANC), like lower 48 Indian communities and native Hawaiians, have what I like to refer to as special patriotism—special patriotism.

They serve at higher rates in the U.S. military than any other ethnic group in the country, year after year, generation after generation, even when their country has not always treated them so well.

So that kind of special patriotism lends itself to strong support with regard to 8(a) opportunities and I think it is another area that can be a critical win-win for those communities, our states, our small businesses, and the Department of Defense.

But I hear from many of our small businesses in Alaska about the difficult time they experienced just being able to get their foot in the door of DOD because it is such a big bureaucracy, complicated place to do business, and once they get their foot in the door sometimes it is difficult to maintain the connection.

As we all know, small businesses oftentimes do not have the resources to do Department wide requirements on issues like cybersecurity, in acquisition reform, and they oftentimes do not have the extra bandwidth to become experts in certain areas that are required in their relationship with the Department.

So what we want to be able to get from this hearing and what I do, certainly, is how we can improve that process, expanding readiness, expanding the ability of American innovators who might not be the giant military contractors but can disrupt and create opportunities for our military for advancing technology and for the workers of America.

We all want to participate in that. We all support our military and having small businesses be a part of that, I think, is a critical function of the Department.

So thank you again, Madam Chair. I look forward to working with you on numerous, numerous hearings on readiness in the next 2 years and I appreciate your leadership on this issue.

Senator HIRONO. Thank you very much. I look forward to working with you also.

We will start with Mr. Mitha.

STATEMENT OF FAROOQ A. MITHA, DIRECTOR, OFFICE OF SMALL BUSINESS PROGRAMS, DEPARTMENT OF DEFENSE

Mr. MITHA. Chairperson Hirono, Ranking Member Sullivan, and distinguished Members of the Subcommittee, good afternoon. Thank you for the opportunity to testify today on small business tools within the Department of Defense to enhance the industrial base.

My name is Farooq Mitha and I am the director of the Department of Defense Office of small business programs. I report to the Assistant Secretary of Defense for industrial base policy within the under secretary's office for acquisition and sustainment.

Today I will discuss tools used to increase small business participation, address small business barriers, and the Department's recently released Small Business Strategy.

Small businesses make up 99 percent of all businesses in the United States and are a critical contributor to our national security. Last fiscal year, the Department spent \$85.2 billion on small business prime contracts and nearly 25 percent of the Department's prime contracts go to small businesses.

Additionally, the Department exceeded its goals for small disadvantaged businesses and service-disabled veteran-owned small businesses.

Despite their immense value, the number of small businesses in the Defense Industrial Base has declined over the last decade. This is an economic and national security risk for our Nation. We risk losing mission critical domestic capabilities, innovation, and strong supply chains.

To respond to this the Department is working to strengthen our small business supply chains, increase competition, and attract new entrants. I want to specifically highlight a few programs at the Department that support enhancing small business participation.

These programs include the Mentor-Protégé program (MPP), the APEX Accelerators, the Rapid Innovation Fund, and the Indian Incentive Program.

The Mentor-Protégé program enables experienced companies to provide business and developmental assistance to protégé firms. The protégés are small businesses from socio economic categories or new entrants, and the mentorship enables protégés to become suppliers as prime and subcontractors to the Department and other Federal agencies. Today, current and previous protégés contribute more than \$5 billion of work on contracts each year on average.

Another key enabler for small businesses is our APEX Accelerators. The Department funds 96 APEX Accelerators across the country that assist small businesses by helping them learn how to do business with the Government.

These Accelerators were previously called Procurement Technical Assistance Centers, or PTACs. After the PTACs moved to my office late last year we rebranded them as our APEX Accelerators and the Department is expanding the services they give to small businesses such as training them on cybersecurity requirements and leveraging them for better market research.

I would also like to mention the Rapid Innovation Fund and the Indian Incentive Program. The Rapid Innovation Fund is designed to support small businesses and moving technologies from prototype to production while the Indian Incentive Program provides a 5 percent rebate to a prime contractor on the total amount subcontracted to Native American-owned businesses.

As you mentioned, in January, the Department released our new Small Business Strategy and the goal of the strategy is to ensure small businesses entering the defense marketplace understand the contracting opportunities, resources available to them, and where to get support.

The strategy calls for the establishment of a small business integration group across the Department implementing a common training curriculum for our small business professionals in the acquisition workforce and streamlining points of entry into the defense marketplace.

As part of the strategy we are also ensuring long-term planning and organizational alignment for programs that drive the small business ecosystem and providing tools to the acquisition workforce such as a robust set of market intelligence tools that can help the efficiency of market research and close equity gaps in the Nation's supply chains.

Last, as a part of our new strategy the Department will provide more tools to ease their entry into the defense marketplace. An example is helping small businesses navigate issues that threaten their security.

Maintaining cybersecurity readiness and mitigating the risks posed by foreign ownership control and influence, or FOCI, are arguably the most pressing issues faced by small businesses. Our adversaries routinely target small businesses, thus building effective cybersecurity resilience into the defense industrial base for small businesses is a critical national security priority.

To bolster those efforts the Department provides resources to small businesses on the Project Spectrum platform. Project Spectrum provides companies with the knowledge and tools necessary to protect our Nation's most critical assets in cyberspace.

The goal is to provide supply chain visibility and assurance of standards, compliance while delivering the industrial cybersecurity tools and techniques that small businesses need.

The Department is going to expand this risk platform to also include training and tools on due diligence in FOCI that will help small businesses understand and mitigate the risks on those matters as well.

I am grateful to the panel for giving me the opportunity to speak today. The Department looks forward to implementing the Small Business Strategy to continue this important work that is vital to our national security.

I look forward to answering any questions that you may have.

[The prepared statement of Mr. Mitha follows:]

PREPARED STATEMENT BY FAROOQ A. MITHA

INTRODUCTION

Chairperson Hirono, Ranking Member Sullivan, and distinguished Members of the Subcommittee, thank you for the opportunity to speak with you today about the defense industrial base and the role of small businesses within the Department of Defense (DOD). My name is Farooq Mitha, and I am the Director of the Department of Defense Office of Small Business Programs and report to the Assistant Secretary of Defense for Industrial Base Policy within the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)). The Under Secretary of Defense for Acquisition and Sustainment is the Principal Staff Assistant and advisor to the Secretary of Defense for all matters relating to acquisition and sustainment in the Department of Defense. Today I will discuss the role of the DOD Office of Small Business Programs, tools used to increase small business participation, program accomplishments, small business barriers, and the Department's recently released small business strategy.

ROLE OF THE DOD OFFICE OF SMALL BUSINESS PROGRAMS

A key role of the Director of the DOD Office of Small Business Programs is to advise DOD officials, including the Secretary of Defense, on small business matters. This includes small business policy advice, programs, industry engagement, and meeting statutory and regulatory requirements. The Director of the DOD Small Business Programs is also the functional lead for small business professionals across the acquisition workforce. Most of these small business professionals work within the Military Departments and Defense Agencies. I am pleased to be joined today by the Small Business Directors in the Military Departments who are Senior Executives in the career civil service and oversee small business activities within their respective organizations.

The role for each of us as small business leaders in the Department of Defense is to ensure that the Department has a strong, healthy, robust industrial base of small business suppliers. The statutory requirements for this role primarily pertain to ensuring the Department achieves its negotiated small business prime con-

tracting goals and its assigned prime contracting goals for HUBZone certified small businesses¹ and businesses owned by socially and economically disadvantaged people, service-disabled veterans and women under the Small Business Act. Additionally, DOD has assigned subcontracting goals for the same categories for which we have prime contracting goals. The Small Business Administration (SBA) negotiates or assigns these goals.

DOD SMALL BUSINESS PARTICIPATION

The Department has achieved its small business prime contracting goal for the past 8 years. DOD's small business prime contracting goal negotiated with the SBA for fiscal year 2022 was 22.5 percent, and the sub-contracting goal was 32.25 percent. Additionally, the established goals for the socio-economic categories were 9.5 percent for small, disadvantaged business (SDB), 5 percent for women-owned small business (WOSB), 3 percent for service-disabled veteran-owned small business (SDVOSB), and 3 percent for HubZone small businesses. The DOD Office of Small Business Programs tracks performance against these goals on a weekly basis through the System for Award Management (SAM.gov). Data is reported regularly to the DOD small business community, DOD senior leadership—including the Under Secretary of Defense for Acquisition and Sustainment—the White House, and the SBA.

Preliminary reports show that in fiscal year 2022 the DOD awarded \$85.2 billion in prime contracts to small businesses, which is around 24.8 percent of all its prime contracts. The Department does not currently have the final subcontracting performance number, but in fiscal year 2021 the Department surpassed its subcontracting goal with a performance of 33.9 percent. The White House also increased the focus on the Small Disadvantaged Businesses (SDB) socioeconomic category to support the President's emphasis on advancing racial equity by committing to SDB performance to 15 percent in fiscal year 2025. In fiscal year 2022, the Small Disadvantaged Business prime contract performance was above 10.1 percent, which represented an all-time high above the 9.5 percent goal. The Department awarded over \$34 billion to Small Disadvantaged Businesses. Service-Disabled Veteran Owned Small Business prime performance is currently at 3.06 percent, above the 3.0 percent goal. Woman Owned Small Business and HUBZone performance are currently below their prime contracting goals, with a 3.9 percent performance and 2.2 percent performance, respectively.

DOD OFFICE OF SMALL BUSINESS PROGRAMS AND ACCOMPLISHMENTS

The DOD Office of Small Business Programs maintains oversight of several programs with significant impact on small businesses, including the Indian Incentive Program (IIP), the Mentor-Protégé Program (MPP), the Rapid Innovation Fund (RIF) Program, and the Department's APEX Accelerators (formerly known as Procurement Technical Assistance Centers (PTACs)). These programs are critical to enhancing small business participation and success in defense acquisition. Aligning these programs and efforts to work together will broaden outreach, drive prototyping, strengthen the DOD supply chain, and increase technology transfer into defense programs.

The MPP is an important supply chain focused program, the authority for which was made permanent in the Fiscal Year 2023 National Defense Authorization Act (NDAA). Under this program, experienced companies meeting certain eligibility requirements provide business developmental assistance as mentors to protégé firms. These protégé firms are disadvantaged small businesses from the various socioeconomic categories and many can be new entrants to the defense industrial base. Mentor firms provide assistance in a range of areas (e.g., internal business management systems, equity investments, loans, and bonding, technical, general, and administrative assistance) that enable protégé firms to become suppliers as prime and subcontractors to the Department of Defense and other Federal agencies. The MPP has achieved great success. Over the past 4 years, protégé firms performed an average of over \$5 billion of contract work for the Federal Government annually. One such company is Composite Solutions, which develops and delivers conductivity-based polymer and composite solutions that answer the combined demands of conductivity and shielding performance in lightweight materials systems. Composite

¹The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to Federal procurement opportunities. These preferences go to small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas.

Solutions has been awarded over \$18 million in prime contracts since the start of their Mentor-Protégé Agreement.

The APEX Accelerators consists of 96 centers across the country, funded through cooperative agreements with the Department. These centers provide procurement technical assistance to small businesses to help them learn how to do business with DOD, the Federal Government at large, and at the State and local level. These centers were previously aligned under the Defense Logistics Agency but recently were realigned under my office in accordance with the statutory changes in the Fiscal Year 2000 National Defense Authorization Act. Now that these centers are within the DOD Office of Small Business Programs, I have given them a new name, a refreshed mission focus, and will be working to integrate their activities with other small business programs to support the Secretary's small business objectives.

The Rapid Innovation Fund (RIF) Program was established by Congress to help innovative businesses, many of which are small businesses, bridge the valley of death and support commercialization of technologies from prototype to production. This is an important authority that showed impressive outcomes with an over 60 percent commercialization rate. One of these companies is Diversified Technical Systems, based in Seal Beach, CA, which developed a smart helmet sensor for the Army that can detect mild traumatic brain injuries in soldiers. The Army and Marine Corps fielded nearly 50,000 units with this product. The DOD Office of Small Business Programs is working to reinvigorate the RIF program to support small, innovative companies with cutting edge technologies that can support the warfighter. The Indian Incentive Program (IIP) provides a 5 percent rebate to prime contractors on the total amount subcontracted to an Indian-Owned Economic Enterprise or Indian Organization. Established by Section 504 of the Indian Financing Act of 1974 (25 U.S.C. § 1544), IIP incentivizes the use of Indian-Owned Economic Enterprises, Native Alaskan, and Native Hawaiian small businesses by prime contractors which has increased the participation of Indian Organizations and Indian-Owned Economic Enterprises since the program's inception. This program continues to help establish a diverse industrial base to the Department while improving the economy of Native American communities and encouraging participation by socio-economically disadvantaged firms in the DOD.

In addition, the DOD Office of Small Business Programs provides policy and oversight for DOD of procurement preference programs for women-owned small businesses, service-disabled veteran-owned small businesses, and HubZone businesses. Furthermore, DOD has various initiatives and programs designed to improve subcontracting performance, such as the Comprehensive Subcontracting Plan Test Program.

SMALL BUSINESS BARRIERS

The DOD Office of Small Business Programs diligently advocates for small business inclusion within the defense acquisition process from the earliest stages, emphasizing awareness of the important role small businesses play in our Nation's economy and in our national security. This idea that small businesses strengthen our industrial base and serve a critical role in delivering the capability to protect our troops has been emphasized by leadership across the Department.

In October 2021, Secretary of Defense Austin issued a memo to the Secretaries of the Military Departments, the Chairman of the Joint Chiefs of Staff, and the Directors of Defense Agencies and Field Activities emphasizing the importance of small businesses to the DOD and the strategic interest we have in leveraging their innovation and capabilities to address our global challenges and to ensure mission success. The DOD Office of Small Business Programs has engaged in several initiatives pertaining to outreach, policy development, and streamlining of the acquisition process to make it easier for the Department to meet its time sensitive needs. These initiatives strive to reduce barriers for small businesses such as confusing points of entry into defense markets, contracting challenges imposed by improper bundling and consolidating of contracts, and understanding complex regulations. This effort will help strengthen the Department's engagement and support of small businesses, as indicated in the release of the new 2023 DOD Small Business Strategy.

DOD'S NEW SMALL BUSINESS STRATEGY

In January 2023, the Department released its Small Business Strategy, which was developed by the DOD Office of Small Business Programs in coordination with the Military Departments. Although the small business strategy was in response to a National Defense Authorization Act requirement, the Department created the strategy in alignment with the President's Executive Order 14036, Promoting Com-

petition in the American Economy, and Executive Order 14017, America's Supply Chains.

The Small Business Strategy focuses on three strategic objectives: implement a unified management approach for small business programs and activities, strengthen the Department's engagement and support of small businesses, and ensure the Department's small business activities align with national security priorities. I'll briefly discuss each objective and highlight the major initiatives within each one.

Unified Management Approach for Small Business Programs and Activities

To the Department's credit, there are a myriad of small business programs and activities distributed across the Defense landscape. Although this gives small businesses a multitude of opportunities to engage with and participate in defense acquisition, it can also be confusing. Small businesses and even members of the DOD acquisition workforce can find it challenging to understand where to go to first and who to contact to find information on available DOD small business programs and opportunities. In response to this challenge, the Department is taking on several initiatives to improve internal coordination, ease the entry points for small businesses into the defense marketplace, and provide training to small business professionals in the acquisition workforce.

To implement a unified management structure for small business programs and activities, the Department will establish a small business integration group, chaired by the Director of the DOD Office of Small Business Programs. This integration group will include representatives from the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)), the Office of the Under Secretary of Defense for Research and Engineering (OUSD(R&E)), Small Business Innovation Research (SBIR) Program Managers, the Directors of the Office of Small Business Programs for the DOD Components, and representatives of other industrial base programs as needed. The small business integration group will focus on increasing collaboration so the Department's small business programs and related efforts can better leverage each other's expertise to grow participation of small businesses in the defense industrial base, attract more companies, mature technologies, and enable more rapid tech transfer and commercialization. This approach will facilitate development of easy-to-understand pathways for industry so that a small business could enter the supply chain through participation in a targeted outreach effort, such as a hackathon or pitch event, become a protégé firm to a successful mentor to obtain business development support, engage their local APEX Accelerator to get counseling and identify contracting opportunities, compete for an SBIR or Small Business Technology Transfer (STTR) contract, and commercialize their technology through support from RIF with help from small business acquisition preferences.

In addition to the integration group, the Department is implementing a common training curriculum for DOD small business professionals. DOD has specially trained small business professionals across the Department that contribute at all stages of the acquisition process to raise the visibility of small business contributions, capabilities, and expertise. These small business professionals assist acquisition teams with requirements generation, solicitation preparation, acquisition strategy and plans, and other required documentation to ensure that appropriate priorities are given to small businesses. Small business professionals conduct outreach to small businesses, large businesses, nonprofits, and academic institutions to facilitate strong relationships between the government stakeholders and the small business community. They also assist with market research and raise the visibility of how a certain industry sector can contribute to all phases of the acquisition process. With the broad set of roles that small business professionals play, they should be trained as a professional community to ensure that small businesses have the maximum practical opportunity to participate in DOD acquisition and programs. That is why the Department is working to roll out a common training for all small business professionals and appropriate elements of the broader acquisition workforce.

Lastly, small businesses today face a multitude of entry points into the defense marketplace that are scattered throughout the DOD Components and Agencies. These entry points are of varying quality, and the processes can be confusing. This is an unnecessary challenge for a business that is trying to understand where to go first, who to contact, and where to find information on available resources and opportunities. As a first step to help solve this dilemma or challenge, the Department is turning our current small business website, www.business.defense.gov, into a common entry point for small businesses. The Department will improve the information and resources on this site to enable small businesses to navigate small business offices through the Department, cross-reference information on small business programs across the Department, and provide access to available acquisition forecasts and toolkits on how to do business with the DOD. In addition, DOD will ex-

plore embedding tools on the website to provide referrals of small business capability information to end users and decisionmakers.

Ensure the Department's Small Business Activities Align with National Security Priorities

The Department is also focusing on how to align small business activities with national security priorities. For the Department to acquire the capabilities it needs at the volume and speed of relevance, it needs access to a strong, growing industrial base that includes a thriving small business ecosystem. An important element of a thriving ecosystem is the commitment of a long-term authorization and funding needed to send a signal to industry that there are stable programs that they can competitively participate within and make needed investments to be a leader in this market. Over the last 2 years the Department has worked very closely with Congress to achieve this objective. Reauthorization of the SBIR and STTR programs at the end of fiscal year 2022, and permanent authorization of the Mentor-Protégé Program in the Fiscal Year 2023 NDAA, are two such examples. Additionally, the Department included the Indian Incentive Program in the President's budget request for the first time.

The Department is also working to develop market intelligence tools for the acquisition workforce to reinvigorate DOD's innovative and resilient industrial base and supply chains. Recent disaggregated data from the Small Business Administration showed that there are equity gaps in the Nation's domestic supply chains. Thus, the Department's solutions will seek to eliminate gaps, vulnerabilities, and critical shortfalls in America's supply chains in an equitable manner. To support this objective, the Department is planning to field a robust set of tools that DOD officials can utilize to increase the efficiency of small business market research, track small business performance, and run comparative analytics using data sourced from across the Department and Federal Government. Identifying capable small business suppliers through market intelligence data is key to increasing set-asides for small business competition, understanding the supply chain, locating small business manufacturers, and increasing the number of small companies in the Defense Industrial Base (DIB).

The other focus area of this strategic objective is streamlining policy and ensuring the Department's small business professionals are engaged in the earliest part of the acquisition process. Small business capabilities should be considered at the earliest stages of acquisition to maximize opportunities for small businesses to compete and participate for contracts. Early engagement of small business professionals enables DOD to ensure small business capabilities and technologies are included in developing acquisition strategies and to identify and address barriers to entry facing small businesses earlier in the process. The Department is working diligently to ensure the DOD small business workforce is part of acquisition teams to have these impacts. Additionally, the Department's current policy mirrors the Small Business Act so that small business directors across the Department have direct access to senior leadership to advocate effectively for small businesses and ensure small business priorities are included in acquisition planning. The Department also brings accountability to its senior leaders on small business inclusion by ensuring that senior executives who oversee acquisition have a mandatory performance element in their performance objectives related to support and fulfillment of DOD's small business goals. All these initiatives are aimed at increasing small business performance in DOD's national security priority areas, reducing barriers to entry for small businesses, and creating the right culture to have ongoing leadership emphasis on small business inclusion.

Strengthening the Department's Engagement and Support of Small Businesses

The third strategic objective of the Small Business Strategy focuses on how the Department can increase its engagement with small businesses and provide more supporting resources to help ease their entry into the defense marketplace. One way the Department is increasing engagement with small businesses is through the 96 APEX Accelerators assisting businesses in 49 states, Washington, DC, Puerto Rico, Guam, the U.S. Virgin Islands, the Commonwealth of Northern Marianas, and in regions established by the Bureau of Indian Affairs at the U.S. Department of the Interior. APEX Accelerators serve as a resource for small businesses to obtain procurement technical assistance, including information, counseling, and training related to contracting and subcontracting opportunities with the Department, other Federal agencies, and State and local governments.

The APEX Accelerator program is now overseen by the DOD Office of Small Business Programs and will be a key component of the Department's overall regional engagement strategy, serving as a front door for industry into the Department. The

goal is to leverage these entities to improve market research, to provide more training to industry on key topics relevant to conducting business with DOD—such as cybersecurity readiness and foreign, ownership, control, and influence (FOCI) risks, to conduct more targeted outreach, and to better share data to improve the Department's understanding of the supplier base at the prime and sub-tier levels, while simultaneously strengthening and increasing the DIB.

Two issues that are extremely important in this area of economic competitiveness and national security are cybersecurity readiness and FOCI risk mitigation for small businesses. Cybersecurity threats to the DIB keep increasing in number, frequency, and severity. Protecting sensitive controlled DOD information and capabilities from increasingly sophisticated threats posed by foreign competitors and adversaries remains a critical national security priority for the Department. The resources required to safeguard data and systems from common and advanced persistent threats can put a strain on companies of any size, but resource-constrained small businesses are particularly vulnerable.

Small businesses make up over 70 percent of the DIB, making cyber risks to the supply chain a significant concern. Supporting cyber resilience within the small business industrial base is key to enabling these companies to address industrial base gaps across the Department. Cybercriminals know that small businesses are the most resource-constrained, considered high-value targets in the defense supply chain, and are often unprepared to prevent those attacks. To combat this constant risk to the U.S. defense supply chain and the companies' economic competitiveness, the Department is committed to ensuring strong cybersecurity hygiene throughout the DIB. By promoting and assisting with cyber resilience for small businesses, DOD can play a key role in enabling these companies to address cybersecurity gaps, while also mitigating threats to the supply chain and DOD sensitive information. Recognizing these challenges, the Department initiated Project Spectrum. As identified on its website, Project Spectrum is a comprehensive "platform that provides companies, institutions, and organizations with cybersecurity information, resources, tools, and training. Its mission is to improve cybersecurity readiness, resiliency, and compliance for small/medium-sized businesses and the Federal manufacturing supply chain." The Department intends to provide guidance to small businesses in connection with the conduct of voluntary cyber preparedness self-assessments, as well as appropriate tools, technologies, and training small businesses can use to help improve their cyber resilience.

The Department is keenly aware that U.S. adversaries increasingly use non-military means to achieve their objectives, often by targeting the smallest and most innovative companies through controlled access to rare raw materials, vulnerabilities in their supply chains, and FOCI operations that work in conjunction with state-sponsored or proxy intelligence and cyber forces. These operations target key technology sectors, providing adversaries and near-peer competitors access to American Intellectual Property (IP) and ingenuity. This access can be legally gained through joint ventures, mergers, and acquisitions, or illegally through cyber espionage. These activities can destroy small businesses and undermine U.S. efforts to pursue global economic and national security interests. Helping protect the DOD small business industrial base from these threats is critical to economic and national security and requires taking a comprehensive approach.

The Department intends to make an immediate impact by educating and training small businesses on these threats and providing them with due diligence tools that will enable them to understand and mitigate their risks. The DOD Office of Small Business Programs plans to expand its current cyber risk platform to include FOCI risks. This may also entail development of DOD-wide due diligence standards to help ensure DOD can strike the right balance between security and imposing regulatory burdens and unnecessary costs that may deter the Nation's most innovative companies from wanting to do business with the Department. Some concepts that may potentially be addressed include developing due diligence capabilities to capture data and provide a multi-dimensional risk profile of DIB small business participants, assessing FOCI risk associated with defense contractors, and establishing market-based incentives to drive behaviors that are conducive to both economic and national security. The purpose of these efforts is to assist small businesses with additional tools and techniques to protect information and know-how, while ensuring appropriate measures are in place to enable participation in defense acquisitions and small business specific programs like SBIR.

CONCLUSION

I would like to thank this panel for allowing me to speak today. As you can see, our programs and initiatives have focused on increasing small business participation

in defense acquisitions through targeted programs, reducing barriers to entry and providing resources to industry to make it easier for them to do business with us. The Department looks forward to implementing the Small Business Strategy to continue this important work that impacts our national and economic security. I look forward to answering any questions you may have.

Senator SULLIVAN. [Presiding.] You see I am so motivated on the Readiness Subcommittee I have taken over the chairmanship here. [Laughter.]

Senator SULLIVAN. No, I am just kidding. The Chair had to step out.

So, Ms. Buehler, can you—your testimony, please?

STATEMENT OF KIMBERLY D. BUEHLER, DIRECTOR, ARMY OFFICE OF SMALL BUSINESS PROGRAMS, OFFICE OF THE SECRETARY OF THE ARMY

Ms. BUEHLER. Yes. Chairperson Hirono, Ranking Member Sullivan, and distinguished Members of the Subcommittee, on behalf of the Army senior leaders, thank you for the opportunity to appear before you today and discuss the Army's Small Business Program.

As the daughter of a small business owner, I understand that small businesses must be passionate, committed, resilient, and willing to work more hours than it seems are even in a day in order to be successful.

The small business entrepreneurs I meet while executing my duties as the Army's Small Business director demonstrate all of these qualities and are fueled by the passion to help the Army fulfill its mission to deploy, fight, and win our Nation's wars as part of the joint force.

These small businesses are key to executing the National Defense Strategy and building the Army of 2030. They are engines of innovation that fill knowledge and capability gaps, help us maintain readiness, and maintain modernization—I am sorry, naval modernization.

In fiscal year 2022 the Army awarded over \$24.5 billion to small businesses owned by disadvantaged entrepreneurs, including women, veterans, and those living and working in historically underutilized business zones.

This equated to over 25 percent of all prime contracts. We exceeded the enhance small disadvantaged business goal by 14.75 percent, which includes award of the \$1.7 billion contract to iHealth Labs, a small disadvantaged business who delivered the rapid antigen test kits for COVID-19 distributed through the United States Postal Service.

These achievements are consistent with the Army's long history as being a leader for small business achievements in the Department of Defense and across the Federal Government. The Army is committed to ensuring small businesses have maximum opportunity to perform on contracts at both the prime and subcontract levels.

In fiscal year 2022 we deployed innovations and issued policy and guidance to increase opportunity, reduce barriers to entry, and improve the professionalism of the small business workforce.

For example, in April 2022 the Secretary of the Army issued Army wide guidance for the Small Business Programs, which was the first in over a decade. The Under Secretary of the Army

launched a series of five initiatives to help small businesses better collaborate with defense prime integrators.

These pilot programs will encourage partnerships, open supply chains, and drive accelerated adoption of technology cultivated through Army and DOD investments.

The Small Business Innovation Research program, or SBIR, continues to be a critical enabler of Army modernization and we appreciate Congress' reauthorization of the program.

In fiscal year 2022 the Army established a contracting Center of Excellence to innovate how we award SBIR Phase I and Phase II contracts. Average time to award is now up to 75 percent faster.

Based on stakeholder feedback and the reauthorization, the program continues to refine its strategic approach to integrating non-traditional innovators into the Army ecosystem and increasing Phase III awards.

In fiscal year 2022 the Army executed a total of 153 Phase III awards, totaling more than \$318 million to 100 unique firms across 26 states. Other notable actions in fiscal year 2022 that target small business opportunity include the refresh of the Myth Busters campaign to provide strategies that help acquisition professionals improve industry communication.

We have reinstituted goals for procurements valued less than a simplified acquisition threshold of \$250,000, conduct regular reporting to the heads of the contracting activity to improve sub-contract reporting, publish biannual forecasts of small business opportunities, and we published the first Small Business Professional Talent Management guide in Army history.

Finally, the Army stands ready to work with the Department of Defense to implement the recently updated Small Business Strategy and we will publish the Army's updated strategy this fiscal year.

I would like to thank Congress for supporting our soldiers, our civilians, and the Small Business Programs. Working together, we can continue to ensure we provide maximum contracting opportunity for the small business entrepreneurs that drive our economy and deliver capability to our soldiers.

I look forward to addressing your questions this afternoon.

[The prepared statement of Ms. Buehler follows:]

PREPARED STATEMENT BY MS. KIMBERLY BUEHLER

ARMY SMALL BUSINESS PROGRAM

Chairperson Hirono, Ranking Member Sullivan, and distinguished Members of the Subcommittee, thank you for your continued support and commitment to our soldiers, our civilians, and the small business (SB) community. On behalf of the Army senior leadership, I thank you for the invitation to appear before you today to discuss SB.

SBs are key to the Army's modernization goals and a vital part of executing the National Defense Strategy. Building the Army of 2030 requires equipping our warfighters with cutting-edge technologies that will give soldiers a decisive edge in future combat environments. SBs are engines of innovation that fill knowledge and capability gaps, help us maintain readiness, and enable modernization.

The Army-wide commitment to working with SBs shows up in our long tradition of meeting and exceeding Government-wide goals for SB. The Army met SB goals for seven consecutive fiscal years, fiscal year 2014 to 2020. Starting in fiscal year 2021, the COVID-19 vaccine contracts awarded by the Army impacted SB goal achievements. In fiscal year 2021, the Army met the overall SB goal and the goal

for Small Disadvantaged Businesses (SDB), awarding over \$24 billion in SB prime contracts, but did not meet goals for contracts to Service-Disabled Veteran-Owned SB, Women-Owned SB, or SB in Historically Underutilized Business Zones (HUBZone). In fiscal year 2022, the Army awarded more prime contracting dollars to SB—\$24.5 billion—but achieved 95 percent of the overall SB goal. To put this into context, the Army awarded \$28 billion in contracts for COVID-19 vaccines in fiscal year 2022, significantly increasing the total amount of dollars included in the formula for goal calculation with no opportunity for SB participation at the prime level. This depressed fiscal year 2022 goal achievement. The Army did, however, exceed the goal for SDB due in large part to the award of a \$1.77 billion contract to iHealth Labs Inc. iHealth Labs is an SDB who in 2022 delivered more than 357 million rapid antigen test kits in support of the government’s COVID-19 test kits to home distribution program through the United States Postal Service. This illustrates goals are only one measure of success, and SBs are essential to building an enduring advantage no matter the enemy.

ARMY RESEARCH AND DEVELOPMENT INITIATIVES

As a leader for SB achievement, the Army understands the importance of having a diversified, resilient industrial base. Multiple executive orders and policy directives from the Office of Management and Budget (OMB) bolster the power of government procurement to diversify and increase the number of individual SBs receiving contract awards. The Army has been tracking the downward trend in the number of SBs with Army contracts. We conducted a detailed examination of data in 2022, including a deep dive by the Rand Arroyo Center into the number of SBs in the research and development (R&D) portfolio crucial to our modernization efforts. Since 2013, the Army has contracted with approximately 800 SBs for R&D efforts annually; one quarter of these businesses were new to the Army each year. Most entered through the Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) program and supported early and mid-stage research. The Rand analysis determined that the number of SBs supporting Army R&D remained relatively stable since 2013. This indicated that the overall declining number of individual small businesses did not interject higher level of risk to the Army for early and mid-stage research. These results were consistent with prior Rand research (early 2000’s) assessing the Department of Defense (DOD) SBIR program. Moreover, Rand’s research showed that increasing and decreasing numbers of R&D small business contractors correlates with R&D budget increases and decreases.

Despite these positive results, the Army knows that SBs face significant challenges moving their technology from early stage research into production. The acquisition system is complex and many of its processes are optimized for full scale integrated solutions, which can create barriers for small innovative companies trying to do business with the Army. Alternatively, SBs can seek to develop partnerships with larger contractors, who often serve as integrators. Integrators are essential partners in building the Army of 2030 because they synthesize the efforts of a diverse ecosystem of manufacturers, suppliers, and service providers to deliver capability into soldiers’ hands.

Innovative SBs can help these integrators with cutting-edge solutions as they build and produce larger systems. In recognition of this important partnership, the Under Secretary of the Army launched a series of five initiatives in October 2022 to help SBs better collaborate with integrators and ensure soldiers receive the most innovative and decisive capabilities. These programs will encourage partnerships and drive accelerated adoption of technologies cultivated through Army and DOD investments.

First, *the Army Catalyst Program* will establish a pilot program in which the Secretary of the Army reserves up to 15 percent of annual SBIR funding to invest in technologies essential to enabling technologies and key capabilities for Army modernization. The program was approved by the DOD and the Small Business Administration in January 2023. Potential focus areas include smart sensors to improve detection sensitivity while maintaining low signature, climate-adaptive technologies that make soldiers resilient in the field, and artificial intelligence and machine learning for contested environments. Nearly 80 current Army SBIR companies were identified as candidates for the Army Catalyst Program; up to five firms will be selected by April 2023 for prototype awards with an estimated value of \$15 million each, 10 times larger than typical SBIR awards.

Second, *Project Valuing Innovation with a Source Selection Technical Advantage, or Project VISTA*, will allow integrators to potentially receive a higher technical rating during source selection if they draw on SBs’ innovative technologies. This should encourage integrators to bring in new SBs, help them transition, and realize return

on Army investments in research, prototyping, and testing investments. The Army is currently identifying programs to pilot this innovative source selection technique. Once finalized, stakeholders from the program, contracting, small business, and legal offices will develop customized evaluation criteria that will be included in the request for proposal. The Army will closely track progress of the contract competition(s) and assess feasibility of expanding the pilot in fiscal year 2024.

Third, the Army is building an *Intellectual Property (IP) Cell of Experts* at Army Headquarters to provide advice, assistance, and resources to SBs and the acquisition workforce on IP matters. SBs often hesitate to participate in Army contracting for fear of losing their IP due to perceived overreach by the government. The Cell of Experts will work directly with SB, the Army R&D community, and program offices to develop balanced IP acquisition and management approaches that incentivize SB participation while safeguarding Army sustainment—helping the Army access critical technologies more quickly. The Army anticipates achieving Initial Operating Capability by the end of fiscal year 2023.

Fourth, the *Army R&D Marketplace* will connect SBs and other technology developers with integrators and Research, Development, Test, and Evaluation funding and resource opportunities. Artificial Intelligence and data-fusion tools will ensure programs and integrators can find and employ the right SB technology at the right time. The marketplace is on track to open this calendar year.

Finally, the Army is adding a *PRIME Competition* to xTech, the Army’s flagship prize competition. Innovative SBs compete at xTech to showcase their technologies and get the attention and resources they need to transition into the Army contracting space. Since 2018, the Army has held over 20 competitions, resulting in \$15 million in cash prizes and more than \$80 million in follow-on R&D contracts. The PRIME Competition will flip the script and require an Army Integrator and one or more non-traditional SBs to team up and compete. The competition will drive down transition risk by incentivizing collaboration and prototyping up front. Winners will be eligible for a follow-on contract for prototype development and deployment. The competition kicks off in March 2023, with plans to announce the winner at the annual meeting of the Association of the United States Army (AUSA) in October 2023.

ARMY INITIATIVES TO INCREASE SB PARTICIPATION

The number of SBs receiving Army prime contracts awards overall continued to decline in 2022. The Army is actively working to reverse the decline by implementing Executive Orders 13985 and 14091, OMB Memorandums 22–03, M–23–1, and M–23–11, DOD policy, and the DOD SB Strategy. In April 2022, the Secretary of the Army issued a memorandum, titled “Army Small Business Program,” that directed eight specific actions that hold senior officials accountable for SB achievements, afford accessibility to leaders, reduce supply chain vulnerability and barriers to entry, and provide maximum opportunity for SBs.

Barriers to entry exist at multiple levels. One of the most fundamental barriers is ineffective communication from government officials. While acquisition regulations authorize a broad range of opportunities for vendor communication, acquisition officials often do not take full advantage of existing flexibilities out of concern for protests or fear of binding the agency in an unauthorized manner. The Army Office of Small Business Programs (OSBP) addressed this by issuing a memorandum in July 2022 that refreshes the OMB “myth busters” campaign from 2011. The Army memorandum identifies common misconceptions about vendor engagement that may unnecessarily hinder the appropriate use of existing regulatory flexibilities and provides facts and strategies to help acquisition professionals benefit from industry’s knowledge and insight. The concepts inherent in the memorandum served as the basis for training provided to contracting officials in 2022.

The Army has also established a Contracting Center of Excellence (CCOE) that manages and executes all Army SBIR awards. The SBIR CCOE provides distilled, streamlined, and transparent processes that leverage many of the acquisition authorities provided for SB acquisition, particularly focusing on SB operational realities. The CCOE reduced contracting award times from greater than 250 days for a standard R&D contract to less than 20 days in many instances.

Outreach serves as an essential mechanism to educate the SB community on how to do business with the Army. Outreach, whether through speaking engagements, matchmaking sessions, or one-on-one capability briefs, helps demystify the acquisition process, connect businesses with acquisition officials, and identify opportunities for participation. The Army OSBP conservatively engaged with over 800 SBs in fiscal year 2022 through formal outreach events. In addition, we utilized social media platforms to provide timely and diverse information to followers, successfully doubling our LinkedIn following for @Armysmallbiz to over 10,000 from October 2022

to March 2023. We also feature innovation opportunities through the @xTech and @ArmySBIRSTTR profiles. One of the most popular resources is the acquisition forecasts of small business opportunities. The acquisition forecasts follow the best practices identified by the Professional Services Council and are published in January and June of each fiscal year. The forecasts provide SBs with insight into what the Army plans to buy, when it plans to buy it, and who will issue the procurement. SB can utilize this information to guide their outreach to the government, influence acquisition strategy development, and prepare for contract opportunities.

The Army is also participating in a first of its kind “reverse training with industry” experience through the DOD Public-Private Talent Exchange (PPTE) program. Generally, DOD acquisition professionals in the PPTE participate in developmental assignments with contractors. However, the program also enables contractors to work in DOD acquisition organizations to gain a deeper understanding of how the DOD operates. In August 2022, the Army OSBP sought a small business who would participate in the exchange program. The Chief Operating Officer/Vice President from a woman-owned SB located in a Historically Underutilized Business Zone volunteered and is now serving in a 6-month developmental assignment. This innovative exchange facilitates open, transparent communication between the Army and SBs. Key learning points from this experience will be used to augment training and outreach, enhancing mutual understanding of the motives that drive behavior and the opportunities that emerge through partnership.

Finally, the Army stands ready to work with the DOD to implement the recently updated DOD SB Strategy. We are refreshing the Army SB Strategy to align with the DOD SB Strategy, the National Defense Strategy, and the Secretary of the Army’s objectives. The Army’s refreshed strategy will be published this fiscal year.

CONCLUSION

I would like to thank Congress for supporting SB programs that drive our economy, create government contract opportunities for American entrepreneurs, and deliver capabilities to our soldiers. Working together, we can continue to ensure that we fulfill our statutory obligations to provide maximum contracting opportunity for SB prime contracting.

Senator SULLIVAN. Great. Thank you, Ms. Buehler.
Mr. Smith, the floor is yours.

STATEMENT OF JIMMY D. SMITH, DIRECTOR, OFFICE OF SMALL BUSINESS PROGRAMS, DEPARTMENT OF THE NAVY

Mr. SMITH. Chair Hirono, Ranking Member Sullivan, Members of the Subcommittee, it is an honor to appear before you here today.

On behalf of the Secretary of the Navy, the Department of the Navy leadership, thank you for your continued support to our sailors and marines, civilian workforce, industry partners, in particular, the small business community.

A healthy small business industrial base will continue to be vital to the long-term success and affordability of the Department of the Navy as well as our national security.

Increasing opportunities for small businesses is a high priority and focus for the Department of the Navy. The Department of the Navy’s senior leaders must ensure that Navy and Marine Corps acquisition activities are aligned to the Secretary of Defense three small business priorities, which are increasing the share of small business dollars, lowering barriers to entry, and increasing competition for small businesses and traditionally underserved entrepreneurs.

In fiscal year 2022 the Department of the Navy awarded \$94 billion in prime contract awards. Nearly 20 percent of that went to small businesses that served as prime contractors.

This 20 percent equates to \$18.4 billion awarded to small businesses. It also represents an increase over the fiscal year 2021 number, which was \$17.3 billion awarded to small businesses.

In fiscal year 2022 the Department of the Navy exceeded its goals for women-owned, service-disabled veteran-owned, historically underutilized business zones small businesses. The Department of the Navy increased its small disadvantaged business targets significantly in fiscal year 2022 in response to President Biden's Executive Order 13985.

Our proactive posturing resulted in the Department of the Navy's 4-year run of exceeding its goals in all four socio economic categories to be broken by aggressively targeting the 1 percent short for small, disadvantaged businesses.

The Department of the Navy continues to blaze new trails as the Secretary of the Navy continues to lead from the front. In addition to his regular meetings with industry partners, he conducts small business roundtables and he also established and led two small business executive offsites within the Department of the Navy.

These offsites require that the 10 commanders that oversee our major buying commands and the 18 program executive officers reflect back on their small business opportunities and performance against their fiscal year 2022 small business goals and then we spent time discussing the fiscal year 2023 small business execution plans.

Furthermore, SecNav [The Secretary of the Navy] challenged these senior leaders to disaggregate previously held large and omnibus contracts to afford small businesses the opportunity to compete for prime contracting opportunities.

Supporting in this stance, the Secretary of the Navy then tasked my office, my team, with creating a policy to leverage Office of Management and Budget's (OMB's) memo entitled "Advancing Equity in Small Business" to strengthen accountability of the Department of the Navy senior leaders and meeting the goals established in each socio-economic category, thereby strengthening and increasing small business industrial capacity.

This direct communication with the Department of the Navy senior leaders and the accountability measures effected through their performance plans has yielded unparalleled increases in outreach efforts throughout the Department of the Navy.

My team and I attribute the majority of the increase of the small business performance to SecNav's hands-on approach to increasing small business and giving them the opportunity to provide warfighting capability to the Navy's mission.

In conclusion, the small businesses that are essential to the healthy defense base we need you working on our hardest problems. You bring about innovation, you bring about capability and technology, and we afford opportunities to work with you. The Department recognizes that there are incredible resources available for this adaptability. The Department of the Navy is committed to these opportunities and removing barriers to doing business with us.

Thank you again for your leadership of this Committee and the oversight of interest in the Department of the Navy. To my Navy small business team, thank you for the outstanding work you do in support of the Navy mission.

I look forward to your questions.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT BY JIMMY D. SMITH

INTRODUCTION

Chairman Hirono, Ranking Member Sullivan, Members of the Subcommittee, it is an honor to appear before you alongside the Office of the Secretary of Defense (OSD) and our sister Services Small Business Directors, Mr. Farooq Mitha (OSD), Ms. Kimberly Buehler (Army), and Mr. Scott Kiser (Air Force), to discuss the Department of the Navy's (DON) small business tools for enhancing the industrial base. A healthy small business industrial base will continue to be vital to the long-term success and affordability of the DON as well as to our national security. Thank you for your continued support to our Sailors, Marines, civilian workforce, and industry partners, in particular, the small business community. On behalf of the Secretary of the Navy and the DON Leadership, thank you for the opportunity to appear before you today.

SMALL BUSINESS PARTICIPATION

Increasing opportunities for small businesses is a high priority and a focus area for the DON. The DON senior leaders must ensure that Navy and Marine Corps acquisition activities are aligned with the Secretary of Defense's three (3) small business priorities: "the President's focus on increasing the share of dollars going to small disadvantaged businesses, lowering barriers to entry, and increasing competition opportunities for small businesses and traditionally underserved entrepreneurs." In particular, all DON personnel and organizations must leverage the expertise of DON Office of Small Business Programs (OSBP) and the Small Business Professional workforce to ensure small businesses are provided maximum practicable opportunities to participate in Navy and Marine Corps acquisitions.

In fiscal year 2022 we awarded over \$94 billion (\$94.26 billion) in prime awards of which almost 20 percent (19.58 percent) went to prime Small Businesses. This \$18 plus billion (\$18.4 billion) in small business awards was an increase of over 6 percent (6.87 percent) over the prior all-time high of \$17 billion (\$17.3 billion) DON awarded in prime small business awards in fiscal year 2021. Small business performance also saw a significant increase from fiscal year 2021 (18.1 percent) to fiscal year 2022 (19.58 percent). DON also exceeded its Women-Owned Small Business, Service-Disabled Veteran-Owned (SDVO) and Historically Underutilized Business Zone (HUBZone). The DON increased the Small Disadvantaged Business target significantly in response to Executive Order 13985 in anticipation of future increases in Small Disadvantaged Business targets. Our proactive posturing resulted in the DON's 4-year run of exceeding its goals in all four socio-economic targets being broken as our aggressive targeting resulted in a less than 1 percent shortfall of our Small Disadvantaged Business target.

One of our top Small Disadvantaged Business successes for fiscal year 2022 was the \$86 million prime award to the PacWest-Korte Joint Venture for the renovation of Bachelor Enlisted Quarters Building 2701 at Naval Air Station in Whidbey Island, Washington. This award entailed PacWest-Korte JV providing repairs and new construction of parking lots at the facility. This award was competitively procured and awarded as a Full and Open contract to PacWest-Korte JV, just one example of the DON's dedication to small business and Small Disadvantaged Business.

The DON OSBP, partnered with the U.S. Department of Transportation, Office of Small and Disadvantaged Business Utilization provided an in-person event focused on woman-owned small businesses and their ability to compete for Federal procurement opportunities. Topics covered included an introduction to small business programs, policies regarding woman-owned small business, how to market to the Federal Government, how to work with large primes, and increasing diversity, equity, and inclusion through finance. In addition and in conjunction with the HUBZone Contractors National Council, the DON OSBP Director was a featured speaker at their 2022 National HUBZone Conference series on "How are Agencies Implementing Executive Order 13985 and how will it support the HUBZone Community." Further, DON OSBP, in conjunction with the Department of Commerce, Small Business Administration (SBA), Office of Management and Budget (OMB) and the Census Bureau, provided a webinar targeting all socioeconomic businesses with attendance estimated at well over 800. Last, five of the DON's buying activities held targeted events for Women-Owned Small Business and HUBZone small businesses.

The DON continues to blaze new trails as the Secretary of the Navy (SECNAV) continues to lead from the front. In addition to his regular meetings with industry partners in the 50-mile area surrounding each of his command visits, Roundtables

with small business owners, he established and held two SECNAV Small Business Executive Offsites that required attendance and briefings by each 3-star level Commanders and Program Executive Officers to discuss their performance against their fiscal year 2022 small business goals and then to discuss their fiscal year 2023 small business execution plans. Furthermore, SECNAV challenged these senior leaders to disaggregate previously held large and omnibus contracts to afford small businesses the maximum opportunity to compete for prime contract opportunities. Supporting this stance, the SECNAV has DON OSBP creating a policy, leveraging the OMB's Memorandum (M-22-03 of December 21, 2021) entitled "Advancing Equity in Small Business" to strengthen accountability of the DON senior leaders in meeting the goals established in each socioeconomic category, thus strengthening the small business industrial capacity.

This direct communication with the DON senior leaders and the accountability measures effected through their performance plans has yielded an unparalleled increase in outreach efforts throughout the DON. The DON OSBP attributes much of the increase in its small business performance to the SECNAV's hands-on approach to ensuring small businesses have ample opportunity to contribute to the Navy and Marine Corps warfighting capability. DON OSBP's team (consisting of seven Government employees and five contract support personnel), established a strategic communication model for use throughout the small business professional community, leveraging Navy Weeks, collaborating with local APEX Accelerators (APEX) (formerly Procurement Technical Assistance Centers (PTAC)) to provide support and matchmaking services at their events and partnering with SBA to identify avenues to the many small businesses certified within the DON without a contract award.

Through SECNAV's direction to ensure small businesses considerations are included early in the acquisition planning process, DON OSBP hosts monthly meetings with select large prime vendors for a focused discussion on subcontracting performance opportunities, innovations, improving readiness, use of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) investments, and the small business industrial base. While specific metrics are not available to directly assess the impact of this process, several large businesses have specifically stated that they have increased their outreach to and attendance at small business events in direct response to the DON's directed energies in this space.

I served as the Director of the Federal Office of Small and Disadvantaged Business Utilization Directors Interagency Council and through strong leadership and an effective team of small business professionals supporting me, the attendance at the Council was elevated through proactively identifying speakers to provide presentations on time-sensitive current events and issues. Examples of issues tackled during my leadership of this Council include: Government-Wide Equity Tool for a centralized use of SAM.gov data; marrying small business goals with category management practices; and, interagency collaboration on meeting the requirements of Executive Order 13985.

In an ultimate demonstration of commitment to ensuring small businesses have the best opportunity to achieve contract award, the DON OSBP Director publicly advertised that the DON would target five previously held large business contracts to be disaggregated to allow for small business set-asides. Through this direction, two contracts have been identified and awarded to date.

Lastly, the DON is preparing a proposal that will increase the sole source thresholds across all socio-economic small business set aside categories when entering into contracts for key technologies identified by Department of Defense (DOD) and its components.

OUTREACH

The DON OSBP is well-known for its extensive outreach program, in-depth resources created by DON OSBP officials, and extensive digital marketing effort in curating and cross-sharing information across platforms to promote opportunities for small businesses. DON OSBP consistently promotes this information through our social media platforms, including Facebook, Twitter, LinkedIn, and YouTube. While these platforms saw an increase in users in fiscal year 2020, as a result of the pandemic, DON OSBP continued its strategic outreach campaign by creating various webinar series' and disseminating weekly newsletters to reach not only small businesses, but also non-traditional suppliers. The DON OSBP weekly newsletter is distributed to small, medium, and large businesses, as well as government, industry, and education personnel. It allows for the curation, promotion, and informing of upcoming events, regulatory and policy changes, procurement resources, official memorandums, relevant news stories, and contracting opportunities.

In fiscal year 2022, the DON's small business enterprise digital analytics revealed a 66 percent increase in Facebook page visits, a 32 percent increase in LinkedIn follower growth, and an increase in YouTube followers (48 percent), video views (28 percent), and overall watch time (59 percent). While this growth is not limited to small businesses, the 30 percent increase in fiscal year 2022 to more than 3,300 newsletter subscribers is a leading indicator of our success in reaching this critical segment of the DON's industrial base.

The DON OSBP office is working with APEX to teach small businesses how to use publicly available resources to help them respond to government solicitations. In addition, the DON OSBP hosted seven separate PTAC/APEX webinars (a 133 percent increase over fiscal year 2021) to introduce industry partners to the available services.

Many one-on-one mentoring sessions were held with small business owners. In fact, more than 722 mentoring sessions (33 percent more than in fiscal year 2021) were held in fiscal year 2022, educating the industry on how to do business with the DON and matching mentees with specific Navy and Marine Corps Small Business Professionals and requirement owners who can help these small businesses secure the opportunity to support the warfighter through the provision of goods and services.

DON OSBP enlisted the help of the Office of Navy Community Outreach (NAVCO), APEX, GSA, and the SBA to host small business workshops during the highly anticipated Navy Week events across the country. These events are held in specific locations with the goal of attracting new industry partners in areas where the Navy and Marine Corps do not have a significant presence. During fiscal year 2022, the DON OSBP held 12 Navy Weeks, with over 450 companies in attendance.

DON OSBP is producing a "Year in Review" video to attract new business partners, highlighting the contributions of the small business industrial base in meeting the needs of Sailors and Marines and demonstrating the significant contributions that small businesses make through the acquisition of goods and services. The video highlighted small business success stories, good news stories about first-time contract award winners, outreach activities, mentor-protégé success stories, and successful SBIR/STTR contributions.

Yearly, DON OSBP is involved in the planning of two large-scale premier small business symposiums, specifically the DON Sea-Air-Space Small Business Day and the DON Gold Coast Event. Over 9,000 small and medium-sized business representatives attended these events, which provided numerous opportunities for their companies to collaborate with large businesses from every industry. The DON, organized a "shark tank" style event in which small businesses could brief senior leaders on their company's products and services in a 10-minute segment in the hopes of identifying a previously unknown niche to the Government while receiving immediate feedback on their businesses from those senior leaders within the Government. Officials from the DON OSBP collaborated closely with the National Defense Industrial Association to plan, promote, and execute the successful 3-day DON Gold Coast Event. DON OSBP worked specifically on coordinating speakers, including securing the prominent keynote speaker, The Honorable Isabella Guzman, Administrator of the United States Small Business Administration. The DON OSBP team used a mobile app to create the event's schedule, speakers, and sessions, allowing attendees to capture real-time updates and resources in a streamlined manner. One thousand two hundred twenty-five DON Gold Coast attendees and participants downloaded a collaborative application created by DON OSBP for use during the event. The event successfully provided networking opportunities, resources, and business growth for government officials and industry with over 1,950 attendees, 250 exhibitors, and 45 speakers and panelists.

DON OSBP headquarters coupled with the efforts of each of the DON's 10 buying commands, conducted well over 870 outreach efforts touching in excess of 12,000 small businesses.

The DON continues to engage with industry at events to raise awareness of cybersecurity threats in the industrial base's manufacturing, research and development, and knowledge-based services sectors, using Project Spectrum, a comprehensive platform that provides the tools and training needed to increase cybersecurity awareness and maintain compliance. Through the DON's partnership with Project Spectrum, we are able to leverage strategic partnerships within and outside of the DOD to accelerate the defense industrial bases (DIBs) overall cybersecurity compliance.

Furthermore, the DON has launched a Blue Cyber initiative for contractors and academic and research institutions to ensure they are aware of the cybersecurity requirements in their contracts as well as the resources available to them.

ADDRESSING SMALL BUSINESS CHALLENGES

Small businesses have cited widespread confusion on what the entry points are, how programs and initiatives connect to each other, and how to plan long-term to meet the Government's requirements.

In response to this, DON has created a single point of entry for all businesses to obtain information on not only “how” to do business with the DON, but to find all the opportunities the DON is and will be soliciting. Our website (<https://www.secnav.navy.mil/smallbusiness/Pages/default.aspx>) houses links to a specifically prepared video on “How to Do Business with the DON”. It also contains a step-by-step guidebook to assist brand new businesses with navigating the complex maze of becoming a government contractor as well as providing mature businesses with alternatives for growth. This resource is supplemented with a Long Range Acquisition Estimate for each of the DON’s 10 buying activities (in a searchable format) to provide early planning and teaming opportunities for small businesses.

Another challenge of many small business programs is that they either lack long-term authorization or consistent funding.

American small businesses are critical to a current and future DON. We use the SBIR/STTR programs as critical entry points for our future DIB partners from diverse backgrounds. The success of the Department’s SBIR/STTR programs are measured by commercialization of their Phase I and Phase II awards. In fiscal year 2022, the Department set a record for commercialization, breaking the \$1B mark in commercialization (known as Phase III). DON SBIR/STTR is only 25 percent of the DOD SBIR/STTR budget and yet generates 50 percent of DOD SBIR/STTR Phase III awards so the DON will certainly benefit from the 3-year extension authorized by Congress for the Programs. The SBIR/STTR programs represent the DOD’s largest source of early stage research and development funding for small businesses. The extension allows breathing space to allow for both research and development and the advancement of small businesses to be able to commercialize innovative technologies developed through the SBIR/STTR programs. The DON leads all DOD organizations in federally funded Phase III contracts. In fiscal year 2022, the DON funded 223 unique Phase III contract vehicles, which included 130 small businesses across 33 states totaling \$1.07 billion. But it is not just making awards that matters to the DON, it is delivering capability to our warfighter and we accomplish that by helping American small businesses become productive, long-term partners. The DON’s SBIR/STTR programs have demonstrated enduring support to small business through several programs focused on helping them grow and deliver at scale. One of those programs is the SBIR/STTR Transition Program (STP). Twenty-three years strong, STP is known across the Federal SBIR/STTR Programs as one of the most effective transition assistance program providing exceptional services to assist with transition of technologies through business mentoring, education, and networking.

To ensure small businesses remain apprised opportunities in the SBIR/STTR realm, the DON hosted three Forums for SBIR/STTR Transition (FST)-focused technology events to promote mature SBIR/STTR technologies that are ready for transition. Further, these FST events connect these small businesses with government and industry personnel through Tech Talks, 1-on-1 “Meet the Experts” meetings, and provide an enhanced online presence using the Virtual Transition Marketplace (VTM) enabling small businesses to be in direct communication with the requirements owners.

The DON also leveraged the extension of DOD’s Mentor-Protégé Program (DOD MPP) (through fiscal year 2024) to achieve new highs. In 2022, my office awarded four (4) new Mentor Protégé Agreements (MPA) totaling more than \$6.6 million. One of those newly awarded agreements will have a substantial impact because at the end of the agreement, the prime contractor will turn over various manufacturing items initially planned for obsolescence to its protégé. Through this MPA, parts identified as obsolete will no longer be so and the DON will no longer be required to find a semi-suitable replacement.

My office has addressed the challenge facing our small businesses in meeting the increasing cybersecurity requirements inhibiting their eligibility for contract award.

The DON continues to leverage Project Spectrum to engage with industry at both of the DON’s premier events, DON Gold Coast Event and Sea-Air-Space. During these events, the Project Spectrum team trained industry on the changes to the contractual requirements for cybersecurity and how to leverage Project Spectrum personnel and their website for effective assistance in how to meet those changing requirements. This partnership has enhanced small businesses awareness of cybersecurity threats within the manufacturing, research and development, as well as the knowledge-based services sectors of the industrial base.

Lastly, the DON has implemented a Blue Cyber initiative for contractors and academic/research institutions to ensure they are aware of the cybersecurity requirements in their contracts and the resources available to them. Through this initiative, in fiscal year 2022 Blue Cyber provided support to over 11,000 small businesses in the United States by having:

- Daily Office Hours in-person consultations answering questions, finding resources, and connecting small business with State grant funding (if necessary);
- Weekly public “Ask-Me-Anything” webinars; and,
- Monthly full day “Boot Camp” providing the most up-to-date cyber information.

CONCLUSION

Small businesses are essential to a healthy DON industrial base if we are going to deliver the innovation and operations capability needed to address key warfighting challenges. The DON recognizes small businesses are an incredible source for innovation, adaptability, agility and resilience. The DON is committed to increasing small business opportunities and educating industry. Thank you again to the leadership and membership of this Committee for your oversight and interest in the DON’s small business program. I look forward to your questions.

Senator HIRONO. [Presiding.] Thank you very much.
Mr. Kiser?

STATEMENT OF SCOTT A. KISER, DIRECTOR, AIR FORCE SMALL BUSINESS PROGRAMS, DEPARTMENT OF THE AIR FORCE

Mr. KISER. Good afternoon, Chair Hirono, Ranking Member Sullivan, and Members of the Subcommittee.

My name is Scott Kiser and I currently serve as the director of Small Business Programs for the Department of the Air Force, covering both the United States Air Force and the United States Space Force.

Thank you for the privilege to be sharing our perspective on small business tools and for enhancing the defense industrial base.

It is good to see that you, Madam Chair, and Senator

Shaheen and Duckworth also serve on the Senate Committee on Small Business and Entrepreneurship.

We value your continued support for small business, for our civilian employees, and our uniformed military members who serve as small business professionals.

Our fiscal year 2022 small business participation record is strong. For the third year in a row the Department of the Air Force exceeded all small business goals as well as each of the subcategories, awarding a record 22.9 percent of all eligible DAF [Department of the Air Force] contracts, representing \$15.6 billion direct to small business.

Small disadvantaged businesses, SDBs, owned by disadvantaged individuals—Native American tribes, Native Hawaiian organizations and Alaskan Native corporations—receive 10.12 percent. Goals for service-disabled veteran-owned small business, women-owned small businesses, and historically underutilized business zone—HUBZone—small businesses were also all exceeded.

This industrial base is broad from R&D to construction to information technology to manufacturing. For example, an ANC-owned small disadvantaged business was chosen as the best value for aircraft logistics at the United States Air Force Academy, a contract worth over \$109 million.

Small businesses are known as the engines of innovation. We agree. Last year we obligated 19.7 percent of all eligible R&D con-

tracts over \$2.7 billion to small firms. Spend under Small Business Innovation Research—SBIR—and Small Business Technology Transfer—STTR—for technological feasibility, further research, and prototyping reached just over \$1 billion.

Our technology transition is strong. In fiscal year 2022 we awarded SBIR/STTR Phase III contracts with a ceiling value of almost \$2 billion with nearly \$1.8 billion awarded to small firms.

Our fiscal year 2022 eligible Phase III contract obligations reached \$772 million from under \$300 million in fiscal year 2018. Of those \$772 million small firms got \$627 million. We made almost half of DOD wide Phase III obligations.

The most important tool on which these successes hinge is our small business professional workforce, which assists small firms and advocates for the participation and innovations in the acquisition process.

I lead a small business community of 162 small business subject matter experts, about half of which are dual hatted in their responsibility and roles. Small business partner (SBP) work hard. Last year's average was about 642 contracting action per SBP under purview, an increase from 625 the year prior.

To drive strategic improvements we organized small business professionals into what we call a DAF Small Business Board of Directors (BOD) and employed the objectives and key results (OKR) management model from leading private sector organizations.

We used the OKR model to pursue broad lines of lines of effort under our BOD structure. The small business professionals on each LOE [lines of effort] team develop the OKRs to support that team's objectives.

OKRs address training and fill the workforce, deployment of effective guidance for small business contracting methods, data, goaling metrics, improved outreach and reduction of entry barriers, and mainstreaming they used the SBIR/STTR Phase III in acquisition planning.

Thanks to the OKRs our small business professionals carried out a record number of outreach activities, last year increasing 45.7 percent of audience over fiscal year 2021, both virtual and in-person audience members.

We even sent our SBIR/STTR expert to speak in Hawaii at the Governor's invitation last October. The OKR methodology-based policy changes have helped small business firms receive 78.2 percent of DAF's simplified acquisition threshold level spend.

Despite all our successes, we know small business firms continue to face challenges doing business with the DAF and the DOD in general. We take this seriously implementing the new DOD Small Business Strategy. We have assigned the strategy's 2023 action items into our BOD's LOE teams and they have worked it into that so we can track our progress on a monthly basis.

We have provided the DOD Office of Small Business Programs for appropriate action the DAF strategy resourcing estimate, matching action items to the existing or additional personnel as approved by our under secretary with the concurrence of the chief and vice chief of both Air Force and Space Force.

Thank you again for this opportunity to testify and share the small business perspective. We look forward to answering your questions.

[The prepared statement of Mr. Kiser follows:]

PREPARED STATEMENT BY SCOTT A. KISER

INTRODUCTION

Chair Hirono, Ranking Member Sullivan, Members of the Subcommittee,

My name is Scott Kiser, and I am the Director of Small Business Programs for the Department of the Air Force (DAF). On behalf of the Secretary of the Air Force, thank you for the opportunity to share the combined Department of the Air Force (DAF) perspective—including both the U.S. Air Force (USAF) and the U.S. Space Force (USSF)—on small business tools for enhancing the defense industrial base. It is a privilege to appear before this distinguished panel, and it is especially good to see that you, Madam Chair, and Senator Shaheen also serve on the Senate Committee on Small Business and Entrepreneurship. I am honored to share the table with highly experienced and dedicated fellow Directors of Small Business Programs for the Department of Defense (DOD), the Department of the Army, and the Department of the Navy. We applaud congressional foresight in fiscal year 2021 NDAA to call for an updated DOD Small Business Strategy to shore up our Nation's readiness in this challenging national security environment. We value your continued support for small business, and for civilian employees and uniformed military members serving as Small Business Professionals (SBPs) across the DAF who carry out the critical work of keeping our industrial base strong.

DAF SMALL BUSINESS PARTICIPATION RECORD

Small business participation in DAF acquisitions is measured by a variety of metrics and reports prescribed by Congress, the Small Business Administration (SBA), the Office of Management and Budget (OMB), and the Office of the Secretary of Defense (OSD). The most well-known metrics are small business prime contracting spend goals. These goals are set pursuant to law for the DOD as percentage shares of small business-eligible contracts by the OMB and the SBA, and further apportioned to the Military Departments in negotiations with the DOD Office of Small Business Programs (OSBP). Consistent with law, OMB guidance, and DOD policy, the goals are further apportioned from the DAF Secretariat to Air Force Major Commands (MAJCOMs), Space Force Field Commands (FLDCOMs), Direct Reporting Units (DRUs), and Program Executive Offices (PEOs).¹ The MAJCOM/FLDCOM/DRU-level and PEO-level goals become the quantitative element of Senior Leader Performance Expectations (SLPEs) for general officers and senior executives involved in acquisitions, along with the qualitative element of small business-friendly organizational processes, outreach, and climate. We find that leadership and tone at the top are key to program success. Across Air Force and Space Force units, Small Business Programs are meant to be the commanders' programs.

In fiscal year 2022, for the third year in a row, the DAF exceeded its overall small business (SB) contracting goals. We have also exceeded all our fiscal year 2022 goals for small business categories.² Specifically, fiscal year 2022 Small Business (SB) participation as prime contractors in small business-eligible DAF acquisitions reached a record 22.92 percent (over 18.10 percent goal), or \$15.58 billion. Small Disadvantaged Businesses (SDBs), including those owned by disadvantaged individuals as well as by Native American Tribes, Native Hawaiian Organizations (NHOs), and Alaska Native Corporations (ANCs), received 10.12 percent of DAF contract spend (over 9.58 percent enhanced goal). This success implements the President's and OMB's direction³ to raise Government-wide SDB contracts spend from 10.54 percent in fiscal year 2020 to 15 percent by fiscal year 2025. Participation by other small business categories also exceeded goals: contracts with Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) reached 3.39 percent (over 2.60 percent goal), contracts with Women-Owned Small Businesses (WOSBs) reached 4 percent

¹ 15 U.S.C. 644; OMB Memorandum M-22-03; DODI 4205.01.

² SB category goals are developed by the Military Departments, rather than assigned by DOD OSBP. Subcontracting goal achievement is reported to the SBA at the DOD-wide level, not by Military Department.

³ OMB Memoranda M-22-03 and M-23-01.

(over 3.50 percent goal), and contracts with Historically Underutilized Business Zone (HUBZone) Small Businesses reached 1.82 percent (over 1.20 percent goal).

For DAF leaders and buyers, small business spend goals are not an end in themselves. Secretary Kendall's DAF small business policy directive No. 90-18 and the long-standing "Beyond Goals" ethos of our office ensure that DAF small business goals and programs support a resilient industrial base and the main mission objective of the defense acquisition system. This objective is to deliver goods and services in support of the warfighter. Spend goals are not a license to charge above fair market price or to lower the quality of performance. However, spend goals can prompt buyers to take a hard look at contract scope for small business-suitable work, to consider small business award flexibilities, and to diligently search the market for capable and innovative small firms in broad spectrum of industries.

DAF Small Business Programs engage broad and complex areas of the industrial base. In fiscal year 2022, top industry sources for DAF small business contractors included: research and development (R&D) in Physical, Engineering, and Life Sciences; Commercial and Institutional Building Construction; Engineering Services; Computer Services, Custom Programming, and Computer Systems Design; Aircraft Equipment Manufacturing; Facilities Support Services; and Wired Telecommunications. The top DAF requirements portfolios on which small businesses have performed in fiscal year 2022 as prime contractors included: Support Services, e.g., Professional, Technical, and Engineering Support, Program Management Support, Contract Support, and Other Professional Support; National Defense R&D Services for Applied Research and Experimentation; IT & Telecom Business Applications and Applications Development; and Building Alteration and Repair as well as Facilities Support. For instance, Akima Logistics Services, LLC (ALS), an ANC-owned SDB, was awarded a contract for up to \$109.7 million for logistics support of 58 training aircraft at the United States Air Force Academy (USAF). This competitive small business set-aside award went to a best value contractor with excellent experience and understanding of customer needs, ensuring continuity in flight line operations.

The 2022 National Defense Strategy calls on the DOD to "bolster support" for small businesses and innovative technology firms to strengthen our R&D and technical capabilities. In fiscal year 2022, the DAF obligated 19.67 percent (or \$2.712 billion) of its small business-eligible Research, Development, Testing, and Evaluation (RDT&E) work contracts to small firms—higher percentage share than the Navy's, and more dollars than any other DOD component. Obligations under Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Phase I for technical feasibility and Phase II for further research and prototyping accounted for \$1.013 billion, representing 37.36 percent of total small business RDT&E awards, 7.35 percent of total RDT&E awards, and about 6.5 percent of DAF small business awards.

Our SBIR/STTR Phase I and II investments generated notable returns in the form of Phase III contracts for transition across most MAJCOMs, FLDCOMs, and PEOs—with Air Force Materiel Command, Space Systems Command, and PEO Digital in the lead. In fiscal year 2022, the DAF awarded SBIR/STTR Phase III contracts with the ceiling value of almost \$1.995 billion, with over \$1.770 billion awarded to small firms. Our fiscal year 2022 small business-eligible Phase III contract obligations—measured similarly to spend goals—reached \$772 million. Of those, \$627 million went to small firms, representing approximately 1 percent of total DAF small business-eligible spend. DAF SBIR/STTR Phase III technology transition obligations represent 49.55 percent of such obligations DOD-wide. This data does not include the approximately \$323 million in DAF-funded Phase III awards obligated by GSA through assisted acquisitions.

DAF SMALL BUSINESS PARTICIPATION ENHANCEMENT TOOLS

Our small business participation successes are not accidents or lucky breaks. Rather, they were results of deliberate management of tools and resources applied to DAF mission needs. Along with spend goals, there are many programmatic authorities, goals, and policies that serve as tools for growing the small business industrial base. Most of the tools were provided by Congress, OMB, and DOD, and some were developed within the DAF. But the most important tool we have—and our most valued resource—is our highly qualified and dedicated Small Business Professional (SBP) workforce. The DAF SBP workforce performs Small Business Programs duties and provides general guidance and oversight. SBPs are a community within the Defense Acquisition Workforce, like contracting officers or acquisition program managers.

I serve as the principal advisor on small business programs and tools to the Secretary and the Under Secretary of the Air Force, the Acquisition Assistant Secretaries over Air Force and Space Force (SAF/AQ and SAF/SQ), and other DAF senior leaders. In this role, I report directly to the Under Secretary, and I am supported by a statutory office established by Title 10, Section 9024, and Title 15, Section 644(k), U.S. Code. My Deputy Director and I lead a staff of 9 career civilian administrative and subject matter experts, along with several support contractors. Our office has complex and growing responsibilities, most of which are within the areas of policy, advocacy, and oversight. For example, we: support DAF senior leaders' engagements with local community groups and Chambers of Commerce; develop and negotiate goals; analyze and develop DAF policies and guidance for implementation of congressional small business statutes, Executive Orders, and SBA guidance; advocate for small business in consolidated, bundled, or other significant DAF acquisitions and efforts such as Category Management; and respond to congressional, SBA, and other programmatic audits, oversight requests, and reporting requirements. We resolve SBA's complaints and appeals on behalf of the Secretary, review of subcontracting plans and reports; outreach, assist small businesses with obtaining payments due from the DAF or primes; facilitate workforce training and functional appointments; and manage the DAF Mentor-Protégé Program, DOD's largest. Our office does not execute SBIR and STTR Program budgets: these two programs are executed by AFWERX and SpaceWERX under managerial oversight and direction from SAF/AQ and SAF/SQ. However, our office advocates for SBIR/STTR Phase III opportunities in DAF acquisitions and provides policy oversight of the SBIR and STTR programs to ensure consistency with SBA policies and guidance. We also serve as DAF's focal point and lead on regulatory compliance assistance to small firms under the Small Business Act, the Small Business Paperwork Relief Act (SBPRA), and the Small Business Regulatory Enforcement Fairness Act (SBREFA).

I lead the DAF-wide SBP professional functional community of 162 experts in acquisition strategies, policies and procedures, support programs, outreach, and technical assistance. Except for my immediate staff, the rest of SBPs are employed by DAF organizations in the field. The main duty of SBPs in the field is to manage policies, processes, outreach, oversight, and reports concerning unit Small Business Programs on behalf of unit commanders, review acquisitions and advocate for small business prime contracting-and subcontracting-inclusive strategies, and assist individual small businesses. Our SBPs account for about one quarter of the 700+ DOD-wide SBP community, most of which are full-time. Within DAF, 90 SBPs and supporting staff are full-time, while 72 serve part-time (dual-hatted) under special waiver in other jobs, like installation Directors of Business Operations (DBOs). Each MAJCOM, FLDCOM, DRU, and Center typically has a Small Business Office to ensure proper support for organizational leadership, contracting officers, and the small business industrial base. Our SBP are hard workers whose dedication to their duty is second to none. Last year, DAF buyers executed 103,938 total small business-eligible contract actions, including 60,244 contract actions for 9,473 small business contractors. This comes to about 642 small business-eligible contract actions on average per SBP workforce position, although this ratio changes depending on workload distribution, complexity of action, entry barriers, and process efficiencies. Contract actions count does not include SBP involvement in other actions, e.g., Other Transactions.

Beginning in 2020, as the recently appointed Director, I sought to align the DAF SBP workforce more efficiently and to capitalize on significant expertise in the field by convening SB Directors and experts at major DAF units into the DAF Small Business Board of Directors (BOD). Employing the Objectives-Key Results (OKR) management model from leading private sector organizations, we subdivided the BOD into teams across broad Lines of Effort (LOEs). Our BOD currently has three (3) LOEs. Each LOE team's member collaborate to develop Objectives and Key Results which support the team's Line of Effort.

Our LOE 1 is "Build Mission-Focused Small Business Leaders." This LOE has two Objectives: (1) continue progress in training and developing DAF SBP workforce, and (2) advocate for proper identification, structure, and fill of DAF SBP workforce. LOE 2 is "Provide Relevant Tools and Rules." This LOE has three objectives: (1) deploy effective policy/guidance for SBP and other acquisition team members; (2) deliver metrics and data driven tools to improve SB participation; and (3) equip SBPs to support SBIR/STTR and other innovation programs. LOE 3 is "Strengthen the Department's Engagement and Support of Small Business." This LOE has three Objectives: (1) analyze and reduce barriers to entry for small businesses through cross-functional effort lead by Office of the Deputy Assistant Secretary for Contracting; (2) deliver DAF enterprise small business outreach and messaging; and (3) leverage

collaborative partnerships with organizations such as APEX Accelerators as well as Small and Minority Business Development Centers (SBDCs and MBDCs).

I would like to share a couple of examples of how this model generates results in practice. For instance, LOE 3's outreach and messaging Objective is supported by two Key Results (KRs): (1) identify key topics for outreach and messaging, and (2) pursue a DAF enterprise-wide outreach and messaging campaign. For these KRs, our team prepared messaging topic materials, including forecast lists of expiring contracts for industry, State Fact sheets for congressional offices and local community groups, and tailored presentations events covering specific industries and small business categories. Our fiscal year 2022 small business participation success has been fueled by largest-ever outreach conducted by Small Business Offices across the DAF. Outreach is also a statutory metric we report annually to the SBA for further transmission to Congress. During fiscal year 2022, we held 41 events reaching nearly 30,000 audience members from the small business industrial base ecosystem (a 45.7 percent increase in audience over fiscal year 2021). For instance, our office's SBIR/STTR expert spoke in Hawaii at the Governor's invitation.

As a small rudder that can turn a large airplane in the right direction, even small improvements to policies, processes, and systems can direct contract dollar flowing where they should. Our LOE 2, "Provide Relevant Tools and Rules," worked together with the Office of the Deputy Assistant Secretary for Contracting to amend the Air Force Federal Acquisition Regulation Supplement (AFFARS) for fiscal year 2022. The amendments empowered SBPs to more closely review SAT-level purchases and other buys to ensure maximum practicable opportunity for SBs in all categories, reducing pre-review paperwork. In fiscal year 2022, small firms received 78.20 percent (over 68.50 percent goal) of contract value between the Micro-Purchase Threshold (MPT) (typically, \$10,000) and the Simplified Acquisition Threshold (SAT) (typically, \$250,000) or \$351.53 million out of \$449.51 million, continuing a 3-year trend upwards. While not a statutory goal, SAT-level SB spending is an OSD-tracked area especially suitable for very small, emerging, and small commercial firms. The Small Business Act, 15 U.S.C. 644(j), automatically reserves most SAT-level acquisitions for small businesses unless two or more capable small businesses cannot be found, with notable exceptions such as GSA Schedules.

As part of acquisition planning, SBPs can recommend several planning and contracting tools for inclusion of small businesses: insightful market research showing capable small firms; breaking up of contract requirements; total or partial set-asides or reserves of contracts or orders; use of small business subcontracting plans or commitment documents; use of subcontracting incentives; and teaming arrangements. Based on our recommendations, DAF for the first time ever used an innovative Contractor Teaming Arrangement (CTA) under GSA procedures. We engaged a team consisting of 1 large business and 9 technologically savvy SBs, SDVOSBs, and SDBs to deploy new IT service desks for over 700,000 DAF total force users. This will result in about \$2 billion in SB prime spend and about \$1 billion in SDB prime spend over 10 years.

Our SBPs can also recommend the use of special authorities, such as Mentor-Protégé Program (MPP) agreements. MPP enables experienced prime contractors to develop the capacity of small protégé firms by providing reimbursements for assistance or subcontracting plan credits. Since DAF MPP's inception in 1992, its participants have successfully completed over 330 agreements. Currently, DAF MPP has DOD's largest program portfolio with 13 active agreements: 6 in IT and Cybersecurity industries, 5 in Parts and Equipment Manufacturing, 1 in Technical and Engineering Services, and 1 in Medical Equipment Manufacturing. For instance, the MPP agreement between Lockheed Martin and Marvin Engineering, a California small business, facilitated transfer of robotics spray-coating technology to automate the manufacturing of F-35 II Lightning missile launchers, pylons, and internal bay adapters.

One key focus for our BOD teams is "mainstreaming" SBIR/STTR Phase III as regular consideration and competency in acquisition planning and messaging. Our AFFARS amendment clarified that Phase III opportunities are part of SBP's acquisition reviews. Both the 2019 and the 2023 DOD Small Business Strategies called for such reviews to facilitate small business participation and technology transition. Our SBPs regularly advise on Phase III direct awards or other preference tools under Title 15, Section 638(r) and SBA Policy Directive, and the Phase III Multiple-Award Contracts under Section 1710 of Fiscal Year 2018 NDAA, Public Law 115-91. Section 1710, which is due to expire on 30 September 2023, uniquely empowers buying organizations to swiftly create pools of SBIR/STTR firms that could sell their technologies on an expedited basis.

Yet, even after decades in existence, continued validity of SBIR/STTR and the Phase III special acquisition preference remains uncertain. Before the latest 3-year

extension of SBIR/STTR, there was much debate between industry and government as to whether the Phase III preference and technology transitions it enables could continue past 30 September 2022. The potential that Phase III preference and related data rights protection would abruptly stop made small businesses and DAF buyers anxious for Phase III-supported missions. Ultimately, the Under Secretary of Defense for Research and Engineering concluded that Congress made Phase III authorization for SBIR and STTR co-extensive with Phases I and II.⁴ The DAF, as the rest of the DOD, supports permanent reauthorization of SBIR/STTR. We also believe the distinctions between Phase III and Phases I/II are significant enough to justify Congress making Phase III permanent now, without waiting for 2025. Most of the disputes which prevented permanency in 2022 related to practices for awarding Phase I and Phase II funds. For instance, Congress had questions about awards to small firms focused on R&D services versus to small firms focused on R&D for eventual transition. Phase III, of course, is not funded with SBIR/STTR programmatic funds. Phase III involves interested DAF commands and PEOs seeking to meet mission needs through technologies already developed in Phases I and II R&D. To keep technology transitions uninterrupted, Congress should narrow the reach of temporary SBIR/STTR sunsets in Title 15, Section 638 only to Phases I and II—thereby making Phase III permanent.

SPECIFIC CHALLENGES FOR SMALL BUSINESSES

Despite all our successes, we know that small businesses continue to face entry barriers and challenges to doing business with the DOD and the DAF. In addition to the DOD Small Business Strategy and Implementation Plan, over the last two and a half years the DOD published at least 4 reports and plans addressing this topic with a wealth of observations and recommended actions. These reports and plans include: the 2022 Defense Business Board (DBB) Assessment of the DOD Mentor Protégé Program, the 2021 DOD Equity Action Plan, the 2022 DOD Competition Report, and the 2022 DOD Supply Chain Report. Recommendations cover both areas that are suitable for agency action and areas that may need congressional assistance. For instance, the DBB suggested enabling MPP protégés to joint venture with mentor firms. I commend these reports and plans to the Subcommittee's attention.

Within the DAF, our office has been working as part of cross-functional team to define and study entry barriers and other factors affecting small firms' counts, and to identify potential actions within the DAF to reduce or eliminate the barriers. An action report is expected soon based on this study effort. In addition, we are working with DOD OSBP, SBA, and OMB on methodology and metrics for defining and tracking the number of new entrants. For fiscal year 2022 over fiscal year 2021, based on our definition of "no contracts above \$10,000 in the last 5 years," DAF demonstrated a slight increase in the number of new small business entrants, 2,102 over 2,077—though the count of all DAF-awarded small business contractors decreased to 9,473 from 9,808.

Time and space will not permit me to address every challenge and entry barrier, many of which I covered earlier. However, I'd like to highlight a few examples. Barrier one is the twin challenge of confusion and complexity in entry points and other aspects of Small Business Programs. We worked hard to reduce confusion and streamline entry. As part of standing up the Space Force, I leaned heavily on existing authorities to prevent duplication or unnecessary overhead in Small Business Programs for USAF and USSF. Our DAF Office of Small Business Programs (SAF/SB) now serves two Services, with only 1 position added to focus on USSF. Our website has a locator for SBPs in the field and guidance for submission of unsolicited proposals.

More remains to be done, however, and Congress can help. With me today are three U.S. Code volumes from Titles 10 and 15, tabbed to illustrate page-volume parity of small business-related legislation and general acquisition legislation. Small business provisions are some of the most detailed and reporting-heavy portions in the U.S. Code, and for good reasons. However, every time agency Small Business Offices must deal with duplicative reports and overlapping or conflicting statutory language, it makes it harder to help small businesses. For example, we prepare duplicative reports on Phase III transition under Title 15, Section 638, and Section 279, Fiscal Year 2021 NDAA—because Section 638 was changed to channel reports to Congress through SBA. A single report sent directly to SBA and to Congress would free up time spent in double drafting. There are four (4) statutory programs

⁴ USD R&E Memorandum, Impact of Expiration of SBIR and STTR Program Authority (6 September 2022).

for small firms to address foreign ownership, control, and influence (FOCI), including a pilot with new duties for SB Offices.⁵ We recommend that Congress engage in ongoing dialog with agency Small Business Offices to explore streamlining some of those reports and other provisions.

DAF IMPLEMENTATION AND IMPACT OF THE DOD SMALL BUSINESS STRATEGY

The DOD Small Business Strategy identifies 23 Implementation Actions across 3 Strategic Objectives: (1) implement a unified management approach for small business programs and activities through improved collaboration and simplification of entry points; (2) ensure that by stabilizing and scaling programs, data tools, and processes; and (3) strengthen DOD's engagement and support of small businesses through training and education. The DAF Office of Small Business Programs, together with our colleagues from Army, Navy, and Defense Logistics Agency, played a significant role in development of the DOD Small Business Strategy and its Implementation Plan. We are fully committed to its successful implementation, understanding that most Implementation Action Items would first need coordination among the Military Departments and decisions at OSD level. Within the DAF, we have already assigned all Action Items into the Lines of Effort (LOEs) for our DAF-wide Small Business BOD Teams. Each BOD Team has adjusted the Objectives and Key Results (OKRs) under their LOEs. Each Team carries out at least preparatory or planning efforts in furtherance of the Action Items. BOD Team Leads brief me on the progress in monthly meetings.

We already have an early success: the DAF Category Management (CM) Charter was revised last month to incorporate the DAF Office of Small Business Programs as the small business lead and advisor to the Deputy Under Secretary for Management, the DAF Category Management Council, and other DAF CM officials. The CM Charter also incorporates specific OSD-and OMB-directed steps and criteria for consideration of small businesses in CM, particularly the rule that category management objectives must not be achieved at the expense of small business equities. Other efforts are ongoing, such as improvements to our website, training and guidance for SBPs, data tools and forecasting, Phase III and R&D participation processes, and collaboration with the Association of APEX Accelerators (a/k/a Procurement Technical Assistance Centers) to ensure that our SBPs can use APEX assistance for specific acquisitions.

The DAF is mindful of requirements in Section 861(b) of fiscal year 2021 NDAA, Public Law 116–283, that the Strategy and its Implementation Plan must include an identification of responsible organizations, metrics, and resources to support implementation activities. The DOD Implementation Plan identifies, for each Action Item, responsible offices, qualitative or quantitative metrics, and use of existing or additional resources for OSD, DAF, and other DOD Components. The DAF resourcing estimate for the Implementation Plan matching all Action Items to existing or additional personnel was prepared by my office, approved by the Under Secretary of the Air Force with concurrence of the Chiefs and Vice Chiefs of the Air Force and the Space Force, and transmitted to DOD OSBP last year for appropriate action.

CONCLUSION

In conclusion, America's small businesses provide crucial support to our airmen and guardians—all thanks to the tools and resources provided by Congress. Implementing the DOD Small Business Strategy will not be easy, but the cause is worthy, and it is a challenge that we take seriously. Thank you for the opportunity to testify today and for your willingness to listen to the Small Business Professional perspective. I look forward to answering your questions.

Senator HIRONO. Thank you very much. I will start with the questions.

First of all, let us get a definition of small business from you, Mr. Mitha.

Mr. MITHA. Thank you for that question. So the small business depends on the NAICS [North American Industry Classification System] codes that are established by the Department of Commerce—the North American Industry Classification Codes—for

⁵Fiscal year 2020 NDAA, Public Law 116–92, Sec. 847; fiscal year 2021 NDAA, Public Law 116–283, Sec. 223; SBIR/STTR Extension Act of 2022, Public Law 117–183, Sec. 4; and

each industry have size standards that are issued by the SBA [Small Business Administration] and those size standards vary based on either average revenues or by individuals.

For services type work it is generally an average of about \$16 million of average revenues and for manufacturing it is an average about 500 employees. It depends on the industry classification.

Senator HIRONO. When we talk about the thousands of small businesses that contract with the DOD, though, are we talking about businesses that have 500-plus employees?

Mr. MITHA. Some.

Senator HIRONO. What is the average? Because I would like to get a picture of the kinds of businesses that you all are contracting with and I take it you all use the same definition, even if they are different depending what the industry or whatever the definitional basis is so you all use the same.

So what are we talking about? Really small businesses like a hundred? Is that an average kind of a small business? Or are we talking about 500?

Mr. MITHA. I would say it depends. I do not have an exact answer on the average. But I would say that for professional service type work where we look at revenues it is in that revenue range of probably \$10 million dollars and less in revenues in those types of companies, and for manufacturers it is harder to tell, from my view, but it could be in that 500 range. Yes.

Senator HIRONO. I would like to continue with you that is there is a drop in the number of small businesses now participating in DOD contracts and this is for each of you. What do you think is accounting for this drop and what specifically are you doing?

You all cited a number of outreach kinds of programs that you are doing but which of these programs is going to enable you to increase—I take it that is a goal—increase the number of small businesses that are working with each of you?

Mr. MITHA. So I can tell you a couple of things from the OSD [Office of the Secretary of Defense] level that we are doing. I think some of the policy changes that we have enacted we hope will reverse that decline.

We sent out some guidance to our workforce based off of an OMB memo that will enable us to have more set aside competitions for small businesses in our socio-economic groups.

In terms of category management type policies we have deemphasized the use of best in class vehicles where we can—where we want to encourage our workforce—we are encouraging our workforce to use vehicles that have more small businesses on them and to have more small business set asides.

We have also sent out guidance to our workforce on decreasing the bundling and consolidation of contracts and breaking out contracting opportunities where we have bundled contracts for small businesses, and on the outreach front we now have at the office of the Secretary of Defense level these 96 APEX Accelerators that I mentioned, and we are really leveraging them to be our front door to industry and by them moving—they were previously at DLA—the Defense Logistics Agency.

Now they are in my organization where they can be more integrated into our broader industrial base activities. So that outreach

and training and support that we are going to provide hopefully will increase.

Senator HIRONO. I want to give the other panelists a chance.

So I take it all of you do have the goal of wanting to increase the number of small businesses that receive contracts from you. So would you like to add something, Ms. Buehler?

Ms. BUEHLER. Yes, Senator.

So in the Army it really is about—it is definitely about opportunity. So we are working to make sure that small businesses are aware of what opportunities are out there early enough so we publish acquisition forecasts in both January and June of each fiscal year.

That gives them, the small businesses, the opportunity to directly engage with the contracting and small business professionals to influence the acquisition strategy for those procurements.

We are—reestablished simplified acquisition threshold goals. So in accordance with the Federal acquisition regulations, all small businesses—all procurements valued under \$250,000—are supposed to be reserved for small business performance.

So, of course, there is reasons why that is not always possible. But we are pushing our contracting officers and requiring activities to expand those opportunities and make sure that a higher percentage share does go to those companies.

So that is a big push and we revised our category management policy from back in 2021 to make it more small business friendly, and the Secretary of the Army, when she issued her memo to all Army, not only hold senior leaders accountable for providing small business opportunity but also reinforces the importance of our small business workforce being at the table early during market research and acquisition planning to influence positive outcomes for small business.

Senator HIRONO. Mr. Smith?

Mr. SMITH. In keeping with my sister service here in the Army, we are doing the exact same thing. One of the things that I would highlight in addition to what Navy's doing, virtual engagements.

Because of COVID things went down dramatically from our ability to reach people in person. We have expanded our social media footprint to areas that I never thought we would go in order to use that mechanism to let the public know, let industry partners know, that we are open for business.

If you look at our long-range acquisition forecast you can see every single solicitation that we plan on awarding across the Department of the Navy between now and 5 and even 6 years off into the future.

So you can plan tactically, you can plan strategically on opportunities that you want to investigate and potentially bid on from a Department of Navy standpoint.

So providing transparency, providing outreach, going to where people are in order for them to know that you are open for business, that is where we are doing it in a magnificent way.

Disaggregating contracts—that is another great opportunity where you take what used to be a very large contract and you are breaking it into individual pieces so the small businesses can participate. That is what we are doing and it is reaping significant re-

sults that we have never across all of us have seen in the last 6, 7, 8 years.

Senator HIRONO. Just because you break the large contracts into smaller contracts does it not affect the effectiveness or the—what you are getting out of breaking down the contract?

Mr. SMITH. No, ma'am.

So the first thing we have to do first is meet the mission. We are not just here in the business of giving contracts to people just to pass money down the line. You have to meet and support the mission in every single one of our cases, first and foremost.

Senator HIRONO. Thank you for that reassurance.

Mr. Kiser?

Mr. KISER. Thank you, Madam Chair, for the question.

Similar to the other services, but we also work in tandem. For example, in terms of those outreach we will also go to Navy. Department of the Air Force will represent at the Navy Gold Coast outreach events, the AUSA [Association of the United States Army] outreach events, because some of those small businesses may have been focused on one military service. So we do a lot of cross service opportunities for those small businesses.

Secondly, in terms of increasing some of those opportunities, even on large contracts we had a recent effort where an enterprise wide contract on information technology (IT) we used the authorities within the General Services Administration (GSA), which allows a contractor teaming arrangement where you might have a large lead but it then brings in many small IT companies to get this.

The service gets the credit in terms of percentages and dollars. However, what this gives a lot of small businesses an opportunity to work on a much bigger contract than they might otherwise to continue their steps one by one further up the ladder.

Senator HIRONO. Thank you. I have gone over so—

Senator SULLIVAN. Okay. Thank you, Madam Chair.

Senator HIRONO.—Senator Sullivan, feel free to go 3 minutes over.

Senator SULLIVAN. Sure.

Mr. Mitha, I want to press—I read your Hill op-ed and I do want to press a little bit more on the statement that you made there about—you kind of talked a lot about the statistics. But then you said sounds like a great success story. However, despite their immense value, the number of small businesses in the U.S. industrial base has declined by 40 percent in the last decade.

Senator Hirono kind of asked you why you think that happened. You did not really get into it. Do you have details of why you think that happened?

Because I think a lot of the testimony here was how great things are going. Forty percent decline is not great. So what specifically do you think that is and then how do we work to address it?

Mr. MITHA. I think there are several reasons. One reason, I think, is the complexity of doing business with the Department of Defense.

Senator SULLIVAN. Yes. That is a huge issue, right, and I think we all got to get our arms around it. We all got to recognize that the Pentagon is a giant bureaucracy and it can just be exhausting

for small businesses to break through and I think that is kind of the key mission of each of the witnesses here, is it not?

Mr. MITHA. Yes.

Senator SULLIVAN. Okay. Good. What else?

Mr. MITHA. I think another reason is we have seen some of our practices of how we manage our contracting policies like category management. A lot—when I first started in this job a lot of small business industry groups came and said, hey, with category management we feel like we have been left out because if we are not on the vehicle we would not see the opportunity, would not be able to compete for it.

Senator SULLIVAN. Right.

Mr. MITHA. That is why we sent the memo out that I referenced earlier where we are now giving tier two credit to small business set asides or any small business awards to companies in socio-economic categories. We can go outside of those vehicles and do more set aside competitions as well.

Senator SULLIVAN. Let me ask—back to the 8(a) contractors and the partnership that each of the services have with them, what specifically is your service working on to deepen that partnership?

I think it is a great opportunity to bring these numbers up. This goes for disadvantaged communities, rural communities. Like I said, in my State it is primarily the Alaska Native Corporations and tribes and ANCs that really can bring benefits to very rural parts of Alaska, very rural parts of America and indigenous communities.

So can I ask each of the services what you are doing specifically that relates to both near and long-term opportunities with 8(a) contractors? Why do we not start with you, Ms. Buehler?

Ms. BUEHLER. Yes. So absolutely recognize the importance of the 8(a) business development program in advancing opportunity for small business, particularly disadvantaged populations.

We have the most aggressive goal for small disadvantaged business, which includes the 8(a) portfolio in the Department of Army. Our goal for fiscal year 2023 is 15 percent.

Senator SULLIVAN. Okay. But what are you doing specifically?

Ms. BUEHLER. Yes, sir. Yes, Senator.

So we are developing strategic partnerships with our 8(a) companies, particularly you mentioned the Alaska Native Corporations. I recently went out and visited with the Akima group and met with their shareholders as well as the leads from all of their business lines of effort. That was a key engagement.

I intend to replicate that with other organizations and expand that kind of a partnership. We are, again, making sure that we are going after and setting aside those business opportunities at that very tactical level, making sure that our small business professionals are empowered to actually make things happen and create opportunity and where we are using our virtual vendor engagements to conduct enhanced outreach just my partner over here, Mr. Smith, mentioned.

We have had one focus singularly on the small disadvantaged business and 8(a) population, trying to make sure that they know that the door is open from the Army and we want to create opportunity with them.

Senator SULLIVAN. Great. Good.

Mr. Smith, what about you—

Mr. SMITH. Yes, sir.

Senator SULLIVAN.—on the same question?

Mr. SMITH. So last fiscal year we reached a pretty unique engagement with the Small Business Administration on the 8(a) program.

Senator SULLIVAN. So does it take a lot of coordination with SBA—

Mr. SMITH. It does.

Senator SULLIVAN.—in the work you are doing? So that has got to be a key element of—

Mr. SMITH. It does. It absolutely does and—

Senator SULLIVAN. Do you think that is going well with SBA?

Mr. SMITH. It is going absolutely well. So at the end of last fiscal year I reached out to my counterpart over in the 8(a) program at Small Business Administration—

Senator SULLIVAN. Good.

Mr. SMITH.—and I said one of the barriers to doing business with the Department of the Navy is past performance. If our industry partners do not have past performance you typically do not get work from us.

Senator SULLIVAN. Right, and how do you ever get out of that loop?

Mr. SMITH. So I cannot—

Senator SULLIVAN. If you do not have past performance you cannot start.

Mr. SMITH. We actually worked out a pretty good deal with the SBA.

Senator SULLIVAN. Okay. What is it?

Mr. SMITH. So I contacted my counterpart and he said, what if we came to an arrangement where my Procurement Center Representatives (PCRs), his folks that are in the field that know what these local companies can do, vouch for them to be able to do work for us? Can we take a Government person's vouching for a company—

Senator SULLIVAN. Even though they have not done DOD—

Mr. SMITH. Even though they have not done it for DOD, and in many cases we asked that—let us take in the case of building a firehouse. A firehouse is a firehouse is a firehouse. But if you have never built one for us we hold that back from you.

But if that local PCR can tell us that we have seen this company build a firehouse in our local community for State and municipal reasons they can do it for us. We actually pulled out of their list of over 1,400 companies in the 8(a) program that have never won a contract. We pulled 40 companies off of that list last quarter just because we had an engagement with one another on this company is good, take them forward, and we are watching those companies now for the execution of those contracts.

Senator SULLIVAN. Right.

Mr. SMITH. As we mentioned, it is not about giving money away. This is all about—

Senator SULLIVAN. Well, of course. This is all about readiness, lethality, winning wars.

Mr. SMITH. Absolutely.

Senator SULLIVAN. That is what this Committee is all about.

Mr. SMITH. So engaging the Small Business Administration on the 8(a) program from a one-on-one standpoint for opportunities to expand and grow work.

Senator SULLIVAN. Okay. Good. That is a good example. What about you, Mr. Kiser?

Mr. KISER. Good afternoon. Thanks for the question.

Following on and, perhaps, some additional information is we are negotiating with the SBA on those 8(a) partnerships. We are getting the SBA to share with us their information on their most recent new 8(a) firms.

Second, from our staff last June we sent our director staff, Mr. Mike McWilliams, who is here with us today, to Alaska to the 8(a) conference that is held in June each year, and we will be sending it as we traditionally do in terms of that outreach.

Similarly, in April we will be going to the [Native Hawaiian Organizations Association] NHOA conference in Hawaii once again for the outreach to as many organizations as we can possibly get to, and we look to—in terms of the Mentor-Protégé program, we target those in the tribal organizations as well.

Senator SULLIVAN. Can I ask about that, because that was actually one of my questions? The Mentor-Protégé program is a really good idea. But I worry that it is hard to get that kind of program out into the rural communities, right.

So are you—when you talk about it you mentioned you are targeting Native communities and rural communities with that program. Are all of you doing that? Because sounds like a great program, looks like it is working, but I worry that it is tough to get to a small Alaska Native village with a program like that.

So are you considering those kind of entities to make sure they can benefit from a program like that as well?

Mr. KISER. Absolutely, and I am trying to find the list. I think we have one in place already in Alaska. I am just—but once again, it is trying to make people aware—first, increase the awareness of those kind of opportunities. True, the manufacturing overall base may not be the same in every location but we are trying to start that conversation and get it going.

Senator SULLIVAN. Right.

Mr. KISER. I think we have one already in place. I am looking for the list.

[The information referred to follows:]

Mr. KISER. Senator Sullivan, to clarify, page 45, line 1 of the transcript I received is the Department of the Navy testimony which can be addressed by my Navy colleague. The discussion of the Department of the Air Force MPP initiatives appears on page 46 line 7 through page 47 line 6. Upon further review, I would like to further clarify and correct my testimony about the MPP.

Over the last 5 years, the Department of the Air Force Mentor-Protégé Program (MPP) has overseen two MPP agreements involving Native-owned small disadvantaged businesses (SDBs) as protégés. However, upon confirmation, both of those two Native SDBs are owned by Native American Tribes rather than by Alaska Native Corporations (ANCs). S&K Electronics, established by the Confederated Salish & Kootenai Tribes of the Flathead Reservation, was a protégé firm under a previously active MPP agreement with Northrop Grumman. This MPP effort was focused on circuit card assembly manufacturing. MEC Tech, an Indian Economic Enterprise (IEE) owned and operated by the Mandata, Hidatsa, and Arikara (MHA) Nation (also known as the Three Affiliated Tribes of the Fort Berthold Indian Reservation)

is a protégé under an active MPP agreement with Global Resource Solutions (GRS). This MPP effort is focused on military health management information technology.

Participation in the DAF MPP is voluntary for industry, and I see no reason why Alaska small businesses should not be taking advantage of this program. The Department of the Air Force Office of Small Business Programs is aggressively soliciting MPP applications from ANC-owned, Native Hawaiian Organization (NHO)-owned, and Native American Tribal-owned small businesses, as well as all other eligible small businesses. For example, during the week of June 13, 2023, I personally attended the National 8(a) Association's Alaska Regional Conference in Anchorage, AK, to promote DAF small business contracting opportunities and the DAF MPP to Alaskan firms.

Interested small businesses should review the fiscal year 2023 DAF MPP Open Call solicitation at: <https://sam.gov/opp/3e042ad7c01549b6b8ca84aa8c54ee0e/view>, and should periodically review SAM.gov and <https://www.airforcesmallbiz.af.mil> for DAF MPP announcements.

In response to this solicitation, the DAF MPP already received one MPP agreement proposal each from an ANC-owned firm and an NHO-owned firm. Pending successful review and negotiation, awards may be expected by the end of the fiscal year. If MPP awards involving ANCs, NHOs, or Native Tribal firms are made this fiscal year, our office will provide an update to this Subcommittee.

Senator SULLIVAN. Okay. Well, we will stand by. Thank you, Madam Chair.

Senator HIRONO. I would like to start round two of questioning.

Senator SULLIVAN. Sure.

Senator HIRONO. So yes, I have a question about the Mentor-Protégé program. I take it that that is a very successful way of enabling more small businesses to engage or have contracts with the DOD.

What do you do? Do you put out a call for volunteers to be mentors and then you match them up with protégés? Is that how each of you is doing this program?

Mr. MITHA. I can start. So the Mentor—so each component services and DOD components are participants in the program. The funding comes to my office. They put out their requirements of different topics from the services and components for agreements that they would like to fund and the mentors apply to be mentors and there are certain statutory requirements to be a mentor.

Once those mentors are approved they can team up with a protégé firm, ideally, a small, disadvantaged or socio economic firm they have a relationship with and they give us a proposal that we then fund through an agreement where we reimburse the costs to the mentor for the business developmental assistance they provide to the protégé or we give them subcontracting credit toward their goals.

Senator HIRONO. Do all the services have this Mentor-Protégé program? Army?

Mr. SMITH.

[Off mic.]

Senator HIRONO. Okay, and is it working out well? Is it growing?

Mr. SMITH. In the case of the Navy we have four current protégé agreements. We have three already in the works for this year and I believe we will have three more added on to that once the industry partners make that teaming agreement with one another. Then they present it to the Navy. So I will have 10 here relatively this year is what I will—

Senator HIRONO. Do you have some kind of numerical goals, each of you, for the Mentor-Protégé program?

Mr. SMITH. I will tell you the Navy is trying to catch up in this regard. My colleagues on my left and my right are leading the Navy right now.

Senator HIRONO. I am sorry. Did you say you have a numerical goal?

Mr. SMITH. I think we think it is a fair share kind of opportunity and money is the driver at the end of it—how much money is in the pie.

Senator HIRONO. Oh, Okay.

Ms. BUEHLER. Yes, Senator. So the Army has six active agreements. We recently changed our processes so that we have a year-long open solicitation so that Mentor-Protégé proposals can come in at any point during that year.

So that gives industry the ability to come to us on their timetable and not necessarily on ours, right. So it gives them much more flexibility to work those relationships and those agreements and we are very excited to onboard new agreements this fiscal year.

Senator HIRONO. So, like Senator Sullivan, I have a commitment to the 8(a) entities and for a number of them I think one of the biggest barriers in dealing with the DOD is just the complexity of dealing with them, as you say, Mr. Mitha.

So name one thing that each of you did to make the whole contracting process less complicated for small businesses.

Mr. MITHA. One thing that we are doing right now is creating a single entry point for small businesses into the defense marketplace.

So my office's website is *business.defense.gov* and we are creating that into a one-stop shop which will have all the forecasting, all the different small business programs, all the resources that are available, so a company will not have to go to 20 different websites to figure out how to do business with us. So that is one thing that we are working on right now.

Senator HIRONO. Would you like to add that?

Ms. BUEHLER. Yes. So with—in the Army, we were using OTAs as another mechanism—other transaction authority as a mechanism to expand our nontraditional vendor base that is participating on our critical technology areas and that is a low barrier entry program where we can reach those companies that have no experience or limited experience working with the Government. So that has been an effective tool for us in trying to reach new vendor populations.

Senator HIRONO. Mr. Smith?

Mr. SMITH. Reintroducing people to a tool that has been in the toolbox for a while. You can actually award up to \$100 million contract to a 8(a) company on a letter contract. So pulling that tool back, letting our contracting officers know that they can use that instead of having to compete everything and run down the formal process we brought that back and resurrected it in a magnificent way.

Senator HIRONO. Mr. Kiser?

Mr. KISER. Yes. Once again, similar activities. We also use Phase III to go make direct awards to speed the process, and also going back to add on to the previous comment on the MPPs and the Native American organizations, MPP—we have had two agreements.

One is already done and complete and that was in Montana. The second is current and active and in the State of North Dakota.

Senator HIRONO. Thank you.

Senator Kaine?

Senator Kaine. Thank you to our Chair and Ranking, and thanks for doing this hearing today.

There is a report by the National Academies of Sciences, Engineering, and Medicine identified that the goals of the SBIR program and the Small Business Technology Transfer program might be in conflict, particularly in the effect that commercialization can be overemphasized as a metric for success.

Does the recently released strategy that you all have put together address the priority of commercialization relative to other priorities—stimulating innovation, meeting Federal R&D needs, fostering diversity? How do you deal with that potential conflict in the report that you have done?

First, Mr. Mitha.

Mr. MITHA. Sure. Yes, we do emphasize the importance of both commercialization and helping small companies go from prototype to production.

I hope this answers the question but I kind of view it as a pipeline where we have dollars that we spend on prototyping through our labs and using our other transaction authorities and programs like SBIR.

We want those companies ideally to mature and develop those technologies to meet our mission needs. So we talk in the Small Business Strategy about how our various small business programs can work better together in a more integrated way to help mature the technologies along so they can actually get fielded into a system and commercialized.

Senator Kaine. Thank you for that.

Mr. Smith, I want to ask you this. In your written testimony you indicated that the Secretary of the Navy Del Toro directed your office to ensure that small business considerations are included very early in the acquisitions process—that is good—but that you do not have specific metrics to assess the impact of those efforts.

So I am a big believer that if you do not measure it you never get to where you want to go. Data and metrics are really necessary for making informed decisions about the effectiveness of an effort such as the one we would all want to undertake.

So are you working on how you could develop metrics that would determine the success of the efforts to expand our small business partnerships?

Mr. SMITH. Thank you for the question.

Developing the metrics is very important. Holding people accountable, we feel, at this particular stage of the game is even more important.

It is not just the small business professionals' responsibility to be the advocate for small businesses. All acquisition professionals across the entire Department of the Navy have the responsibility to live up to these goals and responsibilities and we want to make sure that you are in the conversation early instead of after you sealed up an acquisition/solicitation opportunity and you are ready

to go award. The small business person does not come flying in at the end of the day. Those considerations are baked in upfront.

Measuring it, I think, it is important, but holding people accountable through their performance on their jobs to do their jobs is where we hold people accountable.

Senator KAINE. Given that Secretary Del Toro not only had a distinguished career as a Navy surface ship officer——

Mr. SMITH. Yes, sir.

Senator KAINE.—but also started a small business that——

Mr. SMITH. Yes, sir.

Senator KAINE.—did work in this space, I am assuming he is pretty focused on this and holding people accountable for it.

Mr. SMITH. Sir, Secretary del Toro has helped me just about every single day he has been on the job. He is a small business owner for 17 years and he came in with that passion and enthusiasm to make sure that small businesses did not go through some of the challenges that he experienced as a small business owner, and we have changed culture because of that influence and added focus.

Senator KAINE. I am going to ask an open-ended question if I can, Madam Chair, and just hope that all might just address it a little bit.

In the work that you are doing I am assuming you are hearing what I am hearing as I am talking to small, medium, and large businesses. I am Seapower Chair so I do a lot in the shipbuilding/ship repair space. It is hard to hire people.

So you can have the best programs you want in terms of small business partnerships but if they are struggling with workforce issues it is going to be hard to have programs that will really be successful.

I do not view this issue as one that is getting easier. We just made a historic commitment to infrastructure, who is going to build it. We have just made a historic commitment in the CHIPS [Creating Helpful Incentives to Produce Semiconductors act of 2022] and manufacturing bill to manufacturing. Who is going to fill those jobs?

So we are ready to make a lot of investments. I think this is going to make the challenge even tougher. So in each of your spaces, if you could—my time is about up—but I would love to hear what you are hearing from your small business partners and are you engaged with them in creative strategies around the workforce question that the Committee should know about so maybe we can try to amplify or expand them?

Mr. MITHA. Yes, I am hearing that from small companies, especially in manufacturing and in certain sectors that are very important to us.

One of the things that I am hoping that we can do from my office's purview is use our 96 APEX Accelerators that are out in the field across the country to do a better job of talent matching.

So if a company wins a contract they can go to them, and those folks are tapped into the workforce development training programs and could actually be a connector between the two.

Ms. BUEHLER. Yes, I am hearing the same thing from small businesses. It is one of the challenges that they have, in addition to the

regular challenges that you have running a small business, and it is very important to us when we are making contract awards to these companies that they are going to be able to perform.

So we need to understand the industry dynamics and what conditions they are facing and we are trying to incorporate that and include that as part of our market research to make sure that we understand because it also impacts the price that we are going to pay, at the end of the day. So it helps us to also prioritize what we are going to be able to actually buy.

Senator KAINE. Thanks, Ms. Buehler.

Mr. Smith?

Mr. SMITH. I have seen the exact same result. I have actually watched small business industry partners team in a way that I have not seen some of the larger businesses do. Reaching out to the local community colleges, reaching out to the colleges and universities to build a pipeline of talent that you need upon graduation to join the workforce.

If you do not start early, hoping to get them at the end and when they are ready to go is a wish. Building dedication, loyalty, and commitment early on, I think that transfers volumes and I think more need to do that. But we are all starving for talent.

Senator KAINE. Right, and Mr. Kiser?

Mr. KISER. Once again, you are spot on and that, I think, is probably more systemic across our entire nation of every kind of hands-on skill. Watch the financial news network activity.

About a week ago where the CEO [Chief Executive Officer] was exemplifying, verbalizing, exactly what you said and as they talked with this CEO she indicated cannot get those skills. I could be making millions more dollars. This is a total non-DOD company that was having—facing the same challenges.

Now, Senator Mullin was here. From my time at Tinker Air Force Base I remember they had several technical schools focused on aviation in the State of Oklahoma—that he might be able to learn how do they do it and part of that was to build—to bring some aircraft maintenance capabilities and skills to Tinker Air Force Base.

But at the same time at Tulsa, Oklahoma, you had the American Airlines has their huge maintenance facility there. So it is how do we get these technical schools with the technical degrees, bring the young people in who are going to put the hands on because not everybody wants to do this so how do we incentivize that. That will be a bigger issue beyond just the DOD small business and for our Nation. Thank you.

Senator KAINE. As I yield back, Madam Chair, I know many of us are really coming to this realization that we are not going to completely train our way out of this without an immigration reform bill, and it can be very workforce focused, I mean, and it probably should be with unemployment rate is the lowest it has been since 1969.

So just Virginia doing a better job of maybe convincing some Marylanders to come to Hampton Roads, that is not going to solve our problem because we will cannibalize each other's workforces.

We have to figure out a way to provide skills, more skills, value career and technical education. Allow people to use Pell Grants for

it for the first time in our history. But I do think there is a need that is becoming more obvious every day that a work-based immigration reform bill is also going to be part of the solution here.

I yield back, and thank you, guys.

Senator HIRONO. I agree with you, Senator Kaine.

Every single industry—we are not just talking about the military and its contracting these but every single industry has workforce needs. Something is going to have to give and I do think that something is we need to take a serious look and commitment to changing our immigration system because we have the lowest, as you said, number of visas—work visas given out of any. I do not even know. So that is having a major impact on our ability to be competitive.

Senator Sullivan, would you like a second round?

Senator SULLIVAN. Thank you. Yes. Thanks, Madam Chair.

I do not disagree with any of those comments on immigration. We got to secure the border first before we get into discussions of immigration. That should—that is a national security prerogative that should not be that hard and right now we do not have a secure border. So that is a different topic but an important one.

Mr. Smith, I want to dig down with not only you but the rest of the panelists on your statement about the recent—relatively recent 2 years ago 8(a) contractor opportunities for sole source contracts up to \$100 million. That is relatively recent. That was my provision in the NDAA in 2020.

So I am really appreciative that you highlighted that as another opportunity that can really help provide long-term success for the 8(a) and small business contractors.

What I am hearing from my 8(a) contractors in Alaska, though, is that a lot of the contracting officers have not really gotten the word yet or kind of, like, I do not want to do that, or no, I am not interested.

Well, we, the Congress, told you you should be interested, right. It is in the law. So can you expand upon that? What I would really like to do since you guys are the ones in charge and I have been hearing this a lot from my 8(a) contractors—again, they do great work. They contribute to the national security, as I mentioned. At least in Alaska so many of them are already veterans themselves, the vast majority from indigenous populations. Very patriotic.

What I would like to do is also get a commitment from each of you to send a memo to your contracting officers, just as you mentioned, Mr. Smith, reminding them that, hey, this is a tool and if an 8(a) contractor comes in you got to consider this, and I know it is relatively new so it probably takes a little bit of time to work its way through the bureaucracy.

But that is the new law and, again, I am glad you mentioned that as kind of trotting out that tool as helpful. But can I get your thoughts on that from all of you and get each of your commitments to send out a memo to your contracting officers just saying, hey, as a reminder, year and a half ago Congress changed this rule. It is now up to \$100 million.

I think that will spur a lot of interest and, hopefully, opportunity and activity on the common goal that we all have here. Do you

want to comment further on that, and then each of you? If you make that commitment to me to be doing a memo on that?

Mr. SMITH. Sure. Like you mentioned, it is a tool in a toolbox and folks need to know that they have it at their disposal.

For a long time competition was king. If you had plenty of opportunities with industry partners competing to get the best price that is what we were driving for.

Now we got less people playing in the swimming pool. I got less opportunities with certain industry partners. Now it is time to go pull some of these other tools out and get the ease of contracting.

I mean, folks have been trained a certain way. The flow down to all of the echelons across the entire Department of the Navy has to take place, just like you mentioned. It is an education. They are small business professionals—

Senator SULLIVAN. Education—some of your contracting—

Mr. SMITH. Absolutely. Absolutely, and some people—making the donuts is making the donuts is making the donuts and they need to be told and taught that there is a way to do it differently, faster, to go about another path.

Senator SULLIVAN. So can I get a commitment from you in regards to—

Mr. SMITH. We already—we already have the commitment across the Department—

Senator SULLIVAN. But, I mean, to send a memo to your contracting officers reminding of this?

Mr. SMITH. Done. It is absolutely—

Senator SULLIVAN. Okay, and send it to this Committee?

Mr. SMITH. It is absolutely done. Not a problem.

Senator SULLIVAN. Okay. Great.

Mr. Kiser, do you have a view on this or thoughts on it?

Mr. KISER. Just to expand it. It might even be helpful if we have a joint signature coming out, at least from the Department of the Air Force, from our head of contracting activity—

Senator SULLIVAN. Good.

Mr. KISER.—in order to have a dual signature. Small business, contracting side by side.

Senator SULLIVAN. Thank you. That is a great suggestion. Thank you.

Ms. Buehler?

Ms. BUEHLER. Yes, I was going to make the same suggestion actually, that we have to make sure that our contracting partners are also pushing the same message, that we have a consolidated front. In the Department of the Army we are also conducting a small business road show training with our contracting workforce. That actually started today—

Senator SULLIVAN. Oh, good.

Ms. BUEHLER.—and will continue in second and into third quarter, and one of the areas we are training on is the 8(a) program and we are partnering up with the SBA at certain locations to make that the most effective it can be.

Senator SULLIVAN. Perfect. Do I have time to ask a couple others?

Senator HIRONO. Go ahead.

Senator SULLIVAN. All right.

Senator HIRONO. Then I am going to turn to Senator Kaine if he wants.

Senator SULLIVAN. Let me—Mr. Kiser, I want to compliment you and the Air Force. We have had a very big buildup of the Air Force in Alaska with the F-35—two squadrons F-35s and a whole host of new Air Force personnel at Eielson Air Force Base and other places throughout Alaska, and it was a lot of military construction authorized by this Committee.

We now have—by the way, on time on budget that the Air Force got two squadrons of F-35s bedded down on Eielson Air Force Base during the pandemic. So great job. Great job.

You also did a really good job of working with the Corps of Engineers that was letting these contracts to build the hangars and everything for the F-35s, and a lot of small businesses did quite well in Alaska because the Corps and the Air Force were committed to getting those contracts primarily to Alaska-based businesses and contractors and unions, and so it worked.

Do you have any lessons on an example of that working well? Which I thought it worked quite well. I was very involved in the oversight of it. But you guys nailed it on time on budget. I think the number was 95 percent of the military construction (MILCON) went to Alaskan-based companies.

Mr. KISER. To expand beyond in what they did, I am not as familiar with those specific. But that is not uncommon with the contracting—Air Force contracting working hand in hand with the Army Corps of Engineers on these major MILCON projects and with reconstruction or new construction.

Once again, I will pass your congratulations on it with your permission to—

Senator SULLIVAN. The Army Corps as well.

Mr. KISER. The Army Corps.

Senator SULLIVAN. They really did a great job. It was—

Mr. KISER. Absolutely, but this is non—

Senator SULLIVAN.—picture perfect.

Mr. KISER. Absolutely. Experience I have is with Langley Air Force Base following Hurricane Isabel in the 2003 to 2005 time-frame. Once again, contracting—a lot of coordination with the Corps of Engineers. At that time we were bedding down the F-22 at Langley.

So once again, a lot of teamwork across the board, everybody focused on the mission because they understand the importance of it. So not uncommon to us and I suspect the other service as well. But thank you, sir, for that compliment. I will take it back.

Senator SULLIVAN. So I have two more questions, if that is all right.

Senator HIRONO. Go ahead.

Senator SULLIVAN. The next question is for Mr. Smith, and I am sure Senator Kaine will have some interest in it. I had breakfast actually with the Chief of Naval Operations (CNO) this morning and we talked a lot about shipyards.

We talked a lot about the Defense Industrial Base as it relates to building ships, which that is not necessarily a small business activity but small businesses can get a lot of the action on that.

But the one area that is a small business or relatively small business activity is the maintenance and repair of big Navy ships or Coast Guard ships, and there is a lot of opportunity there in the small business sector for smaller shipyards, not the giant ones that are like in Virginia and stuff. But we have some smaller shipyards. We have a shipyard in Seward, Alaska, called JAG that just got a Navy contract. Really, really big deal for these guys. They are going to do repair work.

We have a bigger shipyard in Ketchikan that does big Coast Guard overhauls, and can you talk about particularly in this need to get our Navy bigger and better and stronger the ability to use smaller shipyards, probably not for the building but for the repair and maintenance, and that way the big shipyards can build the subs and the LHAs [amphibious assault ship] and things like that?

Mr. SMITH. Well, Senator, having grown up on the shipbuilding side of the house—I was *Virginia*-class' construction manager when we delivered the first one—capacity is going to be your challenge here. Having a dry dock to bring in a guided missile destroyer or a large amphib or an aircraft carrier you have to have the facilities to be able to do that.

Senator SULLIVAN. My understanding the carriers and the nukes are public yard—

Mr. SMITH. That is correct.

Senator SULLIVAN.—but even the CNO was talking about dishing out some of the—even though it is public yard, even with the nuke Navy, that you can still dish out some of the non-nuke work to small businesses. Is that—

Mr. SMITH. Absolutely. That is absolutely true.

In the past, we would have probably put up an omnibus kind of contract for a very large industry partner to get it all done and they will subcontract the work out to smalls and they are going to continue to do that, to break that work out separately and move the platform to a smaller yard, I think there is some coordination there that we have to look at. Not saying that we cannot do it. But today we can park the platform in one place and everybody show up to the ship.

If you are going to take it away from the bigs and move it to a small, well, then that work is going to be segmented and probably not integrated in a fashion that we are accustomed to today.

So it is not that we cannot do it. I think it will be different. I think small businesses can benefit from that opportunity. They are currently benefiting today as subcontractors and you are talking about prime contracting opportunities in the future, which are construct.

I do not see a reason we cannot do it. It is going to be more of a coordination and when does the fleet need that platform back to service. Because if you can do it all in parallel that is one thing. But if you are going to make series maintenance activities that is time that we are talking about marching along at that point.

Senator SULLIVAN. Okay. That is very helpful. I had one more question. It is back to Mr. Smith again, but maybe it can be more broadly.

We had a small business in Alaska called Triverus that won a contract with the Navy to build your mobile cleaning, recovery and

recycling systems. This is what I was referring to as like a Zamboni for an aircraft carrier, if you get the hockey analogy—an aircraft carrier or LHA with a flat deck.

This company developed it on its own and built them, 43, for the Navy. It was really, really, really impressive. We were so proud of them because we do not have that big industrial base up in Alaska.

The Navy—there were some hiccups, right? There was some back and forth with the contracting officer. We heard at one point suggesting, hey, if you really want to stay in the game you need to move your business to the lower 48, right. Trust me, I called the Secretary to the Navy on that one saying you got to be kidding me. We want to keep this stuff in our State, not encourage them to go.

But so companies like this they get a big contract. It is great. They kind of base their whole business model on it. But once that contract is over and if it does not continue that is challenging for them.

Do you guys look at those kinds of contracts where they build this MCRRS [mobile cleaning recovery recycle system], as I think they are called, or Zambonis for aircraft carriers, but then also can do the maintenance work because that is something that, to me, gives the company with expertise the ability to continue doing that.

They probably know more about this system since they built it from scratch than anyone else, and I do not think they were ever able to get the maintenance work to be doing that and it is a little bit more challenging.

Mr. SMITH. So I am not familiar with that particular case. I will go find out and——

Senator SULLIVAN. Yes. We can provide it if you need more.

Mr. SMITH. We can—and I will go respond for the record for that inquiry. I am curious—Zamboni for an aircraft carrier. That piqued my attention.

[Laughter.]

[The information referred to follows:]

Mr. SMITH. The Department of the Navy (DON) stands in support of any business who offers solutions to ensure operational readiness and enhance the defense industrial base. Supporting small businesses is the very essence of everything we do as small business professionals, maximizing the advantage, agility, innovation, and responsiveness that small businesses brings to the warfighter. This includes supporting unique solutions such as the Mobile Cleaning Reclaim Recycle System.

Naval Sea Systems Command (NAVSEA) awarded Triverus LLC of Palmer, Alaska (Triverus) Contract N00024-18-C-4449 (Contract 4449) for services and material necessary to support production of the MCRRS and associated spare parts, engineering and services, and other direct costs in support of associated engineering and services. Triverus LLC completed delivery of the MCRRS to the Navy. Over the period of performance of the MCRRS full-rate production contract, NAVSEA utilized Triverus LLC more than 60 times for maintenance and repair support.

Currently, the Navy utilizes its Regional Maintenance Centers consisting of civilians and sailors to perform required maintenance of the MCRRS units. In the event the MCRRS units become inoperable and require intermediate level maintenance, such as complex troubleshooting and repair, NAVSEA may contract with Triverus, the Original Equipment Manufacturer (OEM), for support. Currently, NAVSEA is in the process of reviewing a proposal from Triverus for a potential (OEM) maintenance support services contract.

Senator SULLIVAN. I mean, they zip up—they bring up all the—any kind of material on the flight deck that can hurt the——

Mr. SMITH. I love it.

Senator SULLIVAN.—with the fifth-gen aircraft and hurt the systems. So it is really sophisticated stuff.

Mr. SMITH. Sure, and one of the things that we encourage small businesses to be able to do is do you have a commercial outlet for your opportunity as well along with the maintenance, because I am sure there is airports, I am sure there is runways nearby, where that capability can be provided elsewhere.

Counting on DOD to be your sole customer that is an interesting market. But I think if you had many more people buying from you that is a more lucrative market. So but I will definitely go endeavor to investigate that one further.

Senator SULLIVAN. Thank you.

Senator HIRONO. I just want to make a statement.

One is we have four major ship repair—a public ship repair facilities. One is in Hawaii. We have to make sure that we continue to stay the course of modernizing these facilities because there is no question that we need to enable them to become a lot more efficient because the most recent report says that is taking far longer to repair our naval ships and get them ready for deployment. So that needs to happen.

Then at a time when we need to really shore up our ability to be innovative and competitive with a near peer competitor, i.e., China, I would like to know if each of you fully utilize the SBIR and STTR programs to really push innovation to small businesses. Do you do that?

Ms. Buehler?

Ms. BUEHLER. Yes, Senator. The Army absolutely uses the SBIR and the STTR programs to develop innovation. Not only do we use the programs properly, we have developed transition broker teams along eight different lines of effort linked to specific technologies and capability gaps that we are trying to fill.

So we are trying to make the program more effective for us to really target those high critical areas. We are also using it as part of our—what we call the ex-tech search. This is a “Shark Tank” like competition where companies will propose a certain technological solution. We will give them small contracts and take them through a successively down select competition over a period of time until we get to a winner.

So we are utilizing the SBIR authorities to also facilitate that. So absolutely part of our toolkit.

Senator HIRONO. Mr. Smith?

Mr. SMITH. No different from the Army and probably no different from the Air Force in that regard. That is our fertile feeding ground for future opportunities. The future technology comes from that area.

Having the right mission set for what you need to counter in the future is what it is all about and having industry partners working in that vein that is where we are and we are spending transition dollars to get that capability into the fleet, not just doing research and development for the sake of doing research and development.

Senator HIRONO. Oh, definitely. We need to make sure that it is of some utility.

Mr. Kiser, do you do the same thing? Do you really push for this kind of innovation support?

Mr. KISER. Absolutely, Senator Hirono, and once again, just adding on, similar activities but also, in fact, earlier this week. We execute a lot of our SIBR/STTR dollars through an organization called AFWERX and SpaceWERX.

Met earlier Monday afternoon of this week with the new leader of that organization, Colonel Leigh, to talk about how they are restructuring the program.

A lot of their activity over the last couple of years has been toward just kind of open topics. Well, they are now streamlining and focusing. They will have at least 40 percent of their research ideas and small business awards focused on operational imperatives that you have probably heard Secretary Kendall talk about, the things that we really need to get after in order to be very competitive, shall we say.

We are meeting with them to make sure that what they are doing research on is not just necessarily open or basic research but, rather, focused research on the things that we need for our program executive officers, for our weapon systems, so to make sure that it is really making a difference.

The program executive officers—PEOs—are becoming much more involved in the SIBR process as well and so we have been awarding quite a bit. Our SIBR dollars have gone from about \$300 million in fiscal year 2018 to we are about \$1 billion this year. So thank you for that continued support.

Senator HIRONO. I just wanted to make sure that we get it on the record how important these two programs are because there are some people who do not think that it is important to reauthorize SBIR or STTR.

Thank you. Thank you very much to all of you for coming and talking with us, and with that, this hearing is adjourned.

[Whereupon, at 3:52 p.m., the Subcommittee adjourned.]

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR DAN SULLIVAN

NATIVE 8(A) CORPORATIONS

1. Senator SULLIVAN. Mr. Mitha, in December 2021 the President announced a goal to increase Federal contracting spend to Socially Disadvantaged Businesses to 15 percent by 2025. I understand that the Administration is ahead of schedule and reached over 11 percent in 2022. The Department of Defense will play a big part of meeting this goal. In the Fiscal Year 2020 National Defense Authorization Act (NDAA), Congress raised the Justification and Approval threshold for Native 8(a) entity-owned contractors to \$100 million within the Department of Defense (DOD) to reduce administrative burdens for procurement. Has reducing the administrative burdens on small to medium sized sole-source contracts for Native 8(a) entity-owned contractors been a tool that the DOD has been able to use to help meet the Administration's Socially Disadvantaged Business goals?

Mr. MITHA. Senator Sullivan, the Department strongly supports the increased Federal contracting goals for Small Disadvantaged Businesses (SDBs). Reducing administrative burdens for small to medium sized sole-source contracts for Native 8(a) entity-owned contractors is a tool the Department has been able to use to meet the Administration's SDB goal and has facilitated the achievement of this procurement goal.

2. Senator SULLIVAN. Mr. Mitha, would you say raising the Justification and Approval threshold for Native 8(a) entity-owned contractors gives the DOD an additional tool to quickly and efficiently procure small to medium sized sole source contracts when they are necessary?

Mr. MITHA. Senator Sullivan, the Department agrees that raising the Justification and Approval threshold for Native 8(a) entity-owned contractors is an effective tool to quickly and efficiently procure small-to medium-sized sole source contracts when they are necessary and promotes maximum utilization of 8(a) participants in the defense industrial base.

3. Senator SULLIVAN. Mr. Mitha, as was discussed in the March 22d hearing, the DOD is seeing issues with small, medium, and large sized contractors having a skilled workforce shortage for military construction projects. We are seeing this across the DOD and Federal contracting, generally. In 2020, the Small Business Administration (SBA) changed their interpretation regarding the Bona Fide Place of Business (BFPOB) Requirement making it mandatory for SBA 8(a) participants to have a BFPOB to be established before a bid is submitted to be eligible for military construction contracts. They have since put a moratorium on this rule citing COVID-19 until September 2023. However, this requirement is scheduled to go back into effect soon. Many 8(a) participants do not have the resources or capital to meet this requirement and participate in the military construction marketplace outside of their home State. It would seem that this additional requirement on top of the workforce shortage that already exists would negatively impact military construction projects moving forward by limiting competition for these projects. Additionally, many of our military construction installations are in rural areas of our country and often do not have a large contracting base nearby, that would only add to the problem. When the BFPOB requirement goes back into place would this limit competition, particularly in rural areas by requiring 8(a) participants to have a BFPOB in the geographical area required for the contract?

Mr. MITHA. Senator Sullivan, the Department agrees with your point about the importance of keeping military construction projects moving forward and about the importance of competition. I do not believe the reversal of the Bona Fide Place of Business (BFPOB) Requirement will limit competition. The Department supports the BFPOB rule and similar provisions which provide job opportunities to the individuals living in the area where contract work will be performed. Similar provisions include the Bipartisan Infrastructure Law Section 25019(a) "Local Hiring Preference for Construction Jobs," the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5150), Section 2912 of the Fiscal Year 1994 Defense Authorization Act (Pub. L. 103-160), and Section 817 of the Fiscal Year 1995 Defense Authorization Act (Pub. L. 103-337) for acquisitions in support of a base closure or realignment. Preferences such as these facilitate the employment of local workers who may be socially or economically disadvantaged and can gain access to jobs and training opportunities presented by such projects.

QUESTIONS SUBMITTED BY SENATOR TOMMY TUBERVILLE

CYBER SECURITY OPERATIONS CENTER

4. Senator TUBERVILLE. Mr. Mitha, Ms. Buehler, Mr. Smith, and Mr. Kiser, are you familiar with the National Cyber Security Operations Center (CSOC) program in which Congress has made a significant capital investment (~\$200 million) to develop and deploy in support of the protection of the defense industrial base's networks and intellectual data?

Mr. MITHA. Senator Tuberville, I am aware of the National Cyber Security Operations Center (CSOC), which will provide multiple cybersecurity services to qualified defense industrial base (DIB) partners.

Ms. BUEHLER. I am not familiar with the National Cyber Security Operations Center program. The Army has been assisting small business firms in support of the protection of the defense industrial base's networks and intellectual data through Project Spectrum, a Department of Defense (DOD) no-cost program to small business firms. The core mission of Project Spectrum is to educate, train, and equip the defense industrial base (DIB), small-and medium-sized manufacturers, and other institutions with the tools necessary to strengthen cybersecurity resilience throughout the Nation's supply chain. The Army includes information on Project Spectrum in our training, engagement, and outreach programs, including a briefing to all participants in the Army Small Business Seminar conducted in Oct 2022.

Mr. SMITH. Senator Tuberville, the Department of the Navy (DON) Office of Small Business Programs (OSBP) concurs with the Department of Defense (DOD) OSBP response that we are aware of the National Cyber Security Operations Center

(CSOC), which can provide multiple cybersecurity services to defense industrial base (DIB) partners.

Mr. KISER. Senator Tuberville, the Department of the Air Force Office of Small Business Programs (SAF/SB) was not aware of the National Cyber Security Operations Center (NCSOC), Huntsville, AL. However, we have sought to learn about the NCSOC since receiving your questions for the record. It is our understanding that the NCSOC is primarily a provider of network vulnerability assessment services to those small businesses that have their own information technology networks. Specifically, NCSOC's assessment services are provided by Quantum Research International (QRI) under contract with the Department of the Army, Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI), Threat Systems Management Office (TSMO).

5. Senator TUBERVILLE. Mr. Mitha, Ms. Buehler, Mr. Smith, and Mr. Kiser, as the services of the CSOC are currently offered at no-cost, is there any reason a small or medium business within the defense industrial base should NOT consider them for the assessment and monitoring of their company's network cyber security needs?

Mr. MITHA. Senator Tuberville, I do not see any reason why small-and medium-sized defense industrial base (DIB) partners should not be enrolled and be provided services through the NCSOC. From my understanding the NCSOC can provide Continuous Threat Monitoring, Penetration Testing, and Vulnerability and Physical Security Assessments as well as Incident Response and Forensics investigations.

Ms. BUEHLER. The Army is committed to affording small business firms with maximum practical opportunity for award of contracts and their successful performance. Small and medium sized business firms should consider no-cost options for the assessment and monitoring of their company's network cyber security needs including the CSOC.

Mr. SMITH. Senator Tuberville, the Department of the Navy (DON) Office of Small Business Programs (OSBP) concurs with the Department of Defense (DOD) OSBP response that we do not see any reason why small- and medium-sized defense industrial base (DIB) partners should not be enrolled and be provided services through the NCSOC. From my understanding the NCSOC can provide Continuous Threat Monitoring, Penetration Testing, and Vulnerability and Physical Security Assessments as well as Incident Response and Forensics investigations.

Mr. KISER. Senator Tuberville, small business should be taking advantage of all cybersecurity assistance resources available, consistent with their needs and the mission requirements and standards of their DOD customers. If the NSCOC provider is duly qualified, the NSCOC offerings conform to DOD standards, and the Army makes the NCSOC program available to small businesses for free, there would seem to be no reason why small businesses should not consider NCSOC along with any other qualified assistance providers or assistance programs.

6. Senator TUBERVILLE. Mr. Mitha, Ms. Buehler, Mr. Smith, and Mr. Kiser, now that you are aware of the existence of the National Cyber Security Operations Center in Huntsville, would you recommend that your associated companies with the defense industrial base inquire about working with the CSOC to improve their overall cyber hygiene?

Mr. MITHA. Senator Tuberville, the Department of Defense (DOD) Office of Small Business Programs (OSBP) would recommend any solution that helps defend our industrial base and improve its overall cyber hygiene. My office would be willing to collaborate and harness a synergy between the resources OSBP offers through Project Spectrum and CSOC to develop a partnership that would benefit the small business community. Evaluating both solutions will allow the government to determine the strengths of each and expand offerings that best suit the business need.

Ms. BUEHLER. Now that I am aware of the existence of the CSOC, I will ensure we incorporate information on the CSOC program into our training, education, and outreach programs that we deliver on an ongoing basis to small businesses.

Mr. SMITH. Senator Tuberville, the Department of the Navy (DON) Office of Small Business Programs (OSBP) concurs with the Department of Defense (DOD) OSBP response that recommends any solution that helps defend our industrial base and improve its overall cyber hygiene. My office would be willing to collaborate and harness a synergy between the resources OSBP offers through Project Spectrum and CSOC to develop a partnership that would benefit the small business community. Evaluating both solutions will allow the government to determine the strengths of each and expand offerings that best suit the business need.

Mr. KISER. Senator Tuberville, the Department of the Air Force Office of Small Business Programs has requested that the Air Force-Navy Blue Cyber Program, as

part of its outreach, inform small businesses that the NCSOC is available as a potential assistance resource.

QUESTIONS SUBMITTED BY SENATOR JOE MANCHIN

CYBERSECURITY MATURITY MODEL CERTIFICATION (CMMC)

7. Senator MANCHIN. Mr. Mitha, Ms. Buehler, Mr. Smith, and Mr. Kiser, is the Department of Defense concerned for small businesses and their ability to comply with new cybersecurity standards?

Mr. MITHA. Senator Manchin, Section 1644 of the National Defense Authorization Act (NDAA) for fiscal year 2019 directs the Secretary of Defense to prioritize efforts to increase awareness to help reduce cybersecurity risks faced by small manufacturers and universities. It covers the dissemination of cybersecurity resources, self-assessments, and training, as well as various small business initiatives for matchmaking, training, and navigating regulatory requirements.

To improve Cybersecurity Supply Chain Risk Management, the DOD initiated efforts to educate and provide resources to small businesses to help them meet new cybersecurity standards such as the Cybersecurity Maturity Model Certification (CMMC). This includes offering training sessions, workshops, self-assessments, cyber tool reviews, guidance documents, compliance advisory services, and deception technology tools designed to assist contractors in understanding and implementing the necessary cybersecurity measures within their company platforms. The Department of Defense (DOD) Office of Small Business Programs (OSBP) provides these cybersecurity solutions to small businesses through the services of Project Spectrum.

The Department of Defense (DOD) Office of Small Business Programs (OSBP) utilizes its small business programs, such as the DOD Mentor Protégé Program (MPP), its 96 APEX Accelerators, and other Federal Government resources such as the Manufacturing Extension Partnership (MEP) program, to provide Project Spectrum resources for cyber awareness training and compliance advisory services to the small business community. Project Spectrum has assisted over 7,000 businesses and over 11,000 individual users to help increase their security posture and to help meet CMMC compliance standards. Project Spectrum's cyber advisory service provides small businesses with assistance to help mitigate vulnerabilities and to ensure appropriate security controls have been implemented to adequately protect controlled unclassified information and intellectual property.

Ms. BUEHLER. The Army is concerned for small businesses and their ability to comply with new cybersecurity standards. The Army has been assisting small business firms in support of the protection of the defense industrial base's networks and intellectual data through Project Spectrum, a Department of Defense (DOD) no-cost program to small business firms. The core mission of Project Spectrum is to educate, train, and equip the defense industrial base (DIB), small-and medium-sized manufacturers, and other institutions with the tools necessary to strengthen cybersecurity resilience throughout the Nation's supply chain. The Army includes information on Project Spectrum in our training, engagement, and outreach programs, including a briefing to all participants in the Army Small Business Seminar conducted in Oct 2022. The Army is updating vendor training to include information on other no-cost cyber security programs designed to assist small business firms with their cyber hygiene and cybersecurity standards.

Mr. SMITH. Senator Manchin, the Department of the Navy (DON) Office of Small Business Programs (OSBP) concurs with the Department of Defense (DOD) OSBP response that the priority of Section 1644 of the National Defense Authorization Act (NDAA) for fiscal year 2019 is for the Secretary of Defense to prioritize efforts to increase awareness to help reduce cybersecurity risks faced by small manufacturers and universities. It covers the dissemination of cybersecurity resources, self-assessments, and training, as well as various small business initiatives for matchmaking, training, and navigating regulatory requirements.

To improve Cybersecurity Supply Chain Risk Management, the DOD initiated efforts to educate and provide resources to small businesses to help them meet new cybersecurity standards such as the Cybersecurity Maturity Model Certification (CMMC). This includes offering training sessions, workshops, self-assessments, cyber tool reviews, guidance documents, compliance advisory services, and deception technology tools designed to assist contractors in understanding and implementing the necessary cybersecurity measures within their company platforms. DOD OSBP provides these cybersecurity solutions to small businesses through the services of Project Spectrum.

DOD OSBP utilizes its small business programs such as the DOD Mentor Protégé Program (MPP) and its 96 APEX Accelerators, and other Federal Government resources such as the Manufacturing Extension Partnership (MEP) program to provide Project Spectrum resources for cyber awareness training and compliance advisory services to the small business community. Project Spectrum has assisted over 7,000 businesses and over 11,000 individual users to help increase their security posture and to help meet CMMC compliance standards. Project Spectrum's cyber advisory service provides small businesses with assistance to help mitigate vulnerabilities and to ensure appropriate security controls have been implemented to adequately protect controlled unclassified information and intellectual property.

Mr. KISER. Senator Manchin, the Department of the Air Force is actively encouraging all small businesses in the defense industrial base and the economy at large to strengthen their cybersecurity. Through the Air Force-Navy Blue Cyber Program, the DAF has continuously conducted extensive outreach and training with regards to requirements the 2020 DFARS Interim Rule, *Assessing Contractor Implementation of Cybersecurity Requirements*. This Interim Rule addresses the DOD Cybersecurity Maturity Model Certification (CMMC) 1.0. We encourage all small businesses to get appropriate cybersecurity assessments, and we support any efforts across the DOD and the Federal Government to make such assessments broadly available.

The 2020 Interim Rule contained a 5-year phased and piloted rollout. As noted on the DOD Office of Chief Information Officer website, piloting efforts have been suspended pending rulemaking for CMMC 2.0. Once the DOD issues changes to the CMMC Program, SAF/SB will collaborate with counterparts across the DAF and the DOD on outreach to industry concerning small business compliance.

8. Senator MANCHIN. Mr. Mitha, Ms. Buehler, Mr. Smith, and Mr. Kiser, how is the Department of Defense planning on helping small businesses come into this new compliance—especially is it pertains to shouldering the cost to be certified?

Mr. MITHA. Senator Manchin, small businesses are the most resource-constrained, high value targets in the defense supply chain and are often unprepared to prevent cyber-attacks. To combat this constant risk to the U.S. defense supply chain, the Department aids small businesses with the resources needed to prevent data theft and Intellectual Property (IP) infringement. Services provided by the Project Spectrum platform improve cybersecurity readiness, resiliency, and compliance for small-and medium-sized businesses and the Federal manufacturing supply chain. This is provided, at no cost to the business, for Cybersecurity Maturity Model Certification (CMMC) compliance preparedness, cybersecurity education and training, and advisory services. By promoting and assisting with cyber resilience for small businesses, DOD can play a key role in enabling these companies to address cybersecurity gaps, while also mitigating threats to the supply chain and DOD sensitive information.

Ms. BUEHLER. The Army is committed to enabling small business firms with maximum practical opportunity for award of contracts and their successful performance. The Army does not have the funding required to shoulder cost of CMMC certification. The Army promotes the DOD's Project Spectrum program which is a no-cost program to educate, train, and equip small-and medium-sized manufacturers and other institutions concerning cyber security. Project Spectrum is mandatory for small business firms who participate in the DOD Mentor Protégé Program (MPP). The MPP provides incentives to major DOD contractors to furnish eligible small business concerns with assistance designed to expand their footprint in the defense industrial base and become CMMC certified through Project Spectrum. Although the services of Project Spectrum are at no cost to small business firms, the cost of certification is not funded through the program.

Mr. SMITH. Senator Manchin, the Department of the Navy (DON) Office of Small Business Programs (OSBP) concurs with the Department of Defense (DOD) OSBP response that small businesses are the most resource constrained, high value targets in the defense supply chain and are often unprepared to prevent cyber-attacks. To combat this constant risk to the U.S. defense supply chain, the Department aids small businesses with the resources needed to prevent data theft and Intellectual Property (IP) infringement. Services provided by the Project Spectrum platform improve cybersecurity readiness, resiliency, and compliance for small-and medium-sized businesses and the Federal manufacturing supply chain. This is provided at no-cost to the business for Cybersecurity Maturity Model Certification (CMMC) compliance preparedness, cybersecurity education and training, and advisory services. By promoting and assisting with cyber resilience for small businesses, DOD can play a key role in enabling these companies to address cybersecurity gaps, while also mitigating threats to the supply chain and DOD sensitive information.

Mr. KISER. Senator Manchin, our understanding at the Department of the Air Force Office of Small Business Programs (SAF/SB) is that the DOD has not yet pro-

posed a CMMC 2.0 replacement for the CMMC 1.0 Program. We defer to the DOD Office of Small Business Programs and the Office of the DOD Chief Information Officer for development of any plan for small business compliance assistance and compliance cost reduction with regards to any eventual CMMC 2.0 framework. To my knowledge, the DOD is already considering various pilot projects to assume CMMC compliance costs for, or reduce CMMC compliance costs on, small businesses. One is an OSD-level pilot to test ability of small businesses to operate in a comprehensive secure cloud network environment. The Department of the Air Force Office of Small Business Programs (SAF/SB) would support these pilots and any other suitable efforts.

QUESTIONS SUBMITTED BY SENATOR ERIC SCHMITT

PROTECTING SMALL BUSINESSES THAT ARE SOLE SUPPLIERS FOR THE DEPARTMENT OF DEFENSE

9. Senator SCHMITT. Ms. Buehler, the Department of Defense (“The Department”) has a sole manufacturer and leading designer of a weapon system in my home State of Missouri. I want to highlight the critical importance and broad application of this capability across numerous aviation (fixed wing and rotary wing) and ground platforms. I also want to highlight my concerns that the irregular acquisition of these systems by the Services and particularly the Navy, has resulted in significant gaps in production orders that failed to account for the adverse impact on and sustainability of the specialized and highly skilled workforce. While I applaud the work of the Assistant Secretary of the Army for Acquisition Logistics and Technology (ASALT) for the reforms he has proposed to strengthen the munitions production base, please tell me what the Department of Defense and ASALT have done or are planning to do to engage and support the needs of small, sole suppliers, such as the sole supplier in my home State of Missouri, to work in partnership and communicate with these suppliers and to provide them with more predictability and regularity of production orders to avoid the adverse impacts of irregular production orders?

Ms. BUEHLER. I agree that it is important for the government to effectively communicate expected business opportunities to small businesses. It is for this reason that the Army Office of Small Business Programs (OSBP), in coordination with the Office of the Deputy Assistant Secretary of the Army (Procurement), issued a joint memorandum in 2021 to the Heads of Contracting Activities (HCAs) that established policy and processes for publication of acquisition forecasts to small businesses. Our policy requires the HCAs provide detailed acquisition forecasts, including projected contract awards and opportunities anticipated for award through a small business set-aside, in January and June of each fiscal year. Army OSBP has been posting these small business acquisition opportunities on a publicly available website for the past 2 years.

Additionally, the Program Executive Offices under the Assistant Secretary of the Army for Acquisition, Logistics, and Technology regularly conduct Advance Planning to Industry Days where they reach out to small businesses to support specific programs.

