

provisions of the bill, add reporting requirements, revises annuitant provisions, and require a GAO report on law enforcement retirement systems;

“Nay” on rollcall vote No. 317 on the motion to recommit H.R. 1684 with instructions;

“Aye” on rollcall vote No. 318 on final passage of H.R. 1684, the Fiscal Year 2008 Department of Homeland Security Authorization Act.

**PERMISSION FOR AMENDMENT NO. 4 TO BE OFFERED AT ANY TIME DURING CONSIDERATION OF H.R. 1873, SMALL BUSINESS FAIRNESS IN CONTRACTING ACT**

Ms. VELÁZQUEZ. Mr. Speaker, I ask unanimous consent that during consideration of H.R. 1873 in the Committee of the Whole, pursuant to House Resolution 383, amendment No. 4 by Mr. SESTAK be permitted to be offered at any time.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

Mr. PRICE of Georgia. Mr. Speaker, reserving the right to object, would you mind explaining exactly what that amendment pertains to and whether or not this has been discussed with our side?

Ms. VELÁZQUEZ. I thought that the ranking member was agreeable. Mr. SESTAK is in a markup on the Committee on Armed Services. We cleared this with your staff.

Mr. CHABOT. Mr. Speaker, if the gentlelady will yield, the amendment has been discussed with our side, and we are satisfied with it. It was a mistake made essentially between Rules and here.

Mr. PRICE of Georgia. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

**GENERAL LEAVE**

Ms. VELÁZQUEZ. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and enter into the RECORD extraneous material on the bill under consideration and that the CBO cost estimates for H.R. 1873 as reported by the Small Business Committee be entered into the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

The text of the Congressional Budget Office Cost Estimate is as follows:

MAY 7, 2007.

Hon. NYDIA M. VELÁZQUEZ, Chairwoman, Committee on Small Business, House of Representatives, Washington, DC.

DEAR MADAM CHAIRWOMAN: The Congressional Budget Office has prepared the enclosed estimate for H.R. 1873, the Small Business Fairness in Contracting Act.

If you wish further details on this estimate, we will be pleased to provide them.

The CBO staff contact is Matthew Pickford, who can be reached at 226-2860.

Sincerely,

PETER R. ORSZAG.

Enclosure.

*H.R. 1873—Small Business Fairness in Contracting Act*

Summary: H.R. 1873 would make several changes to the laws that promote and encourage federal agencies to contract for goods and services with small businesses. The legislation would amend the definition of “bundled contracts” (the practice of combining two or more contracts into a single agreement) for the procurement of goods and services and require agencies to better justify the need for such larger contracts rather than smaller ones that could be available to small businesses. The federal government currently has a goal of acquiring 23 percent of most goods and services from small business. The bill would increase that goal to 30 percent and apply it to each agency individually, as well as to all agencies collectively. H.R. 1873 also would require the Small Business Administration (SBA) to develop new regulations and new databases and to conduct other efforts to encourage and promote the use of small businesses in government contracting.

CBO estimates that implementing H.R. 1873 would cost \$83 million in fiscal year 2008 and \$945 million over the 2008–2012 period, subject to the availability of appropriated funds. We expect that most of those costs would fall on the largest agencies the Department of Defense, the Department of Energy, and the National Aeronautics and Space Administration—that have not met the current goal for contracting with small businesses. Enacting the bill would have no effect on direct spending or revenues.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1873 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit) and all other budget functions that include spending to procure goods and services.

	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>					
Administration of Governmentwide Procurement:					
Estimated Authorization Level .....	100	175	200	240	260
Estimated Outlays	80	150	200	240	260
Small Business Administration:					
Estimated Authorization Level .....	3	3	3	3	3
Estimated Outlays	3	3	3	3	3
Total Changes:					
Estimated Authorization Level .....	103	178	203	243	263
Estimated Outlays	83	153	200	243	263

Basis of estimate: For this estimate, CBO assumes that H.R. 1873 will be enacted near the end of fiscal year 2007, that the necessary amounts will be appropriated over the 2008–2012 period, and that outlays will follow historical spending patterns for contract administration spending. CBO estimates that implementing H.R. 1873 would cost \$83 million in 2008 and \$945 million over the 2008–2012 period, assuming appropriation of the necessary funds.

*Administration of governmentwide procurement*

H.R. 1873 would change the definition of bundled contracts to include the procure-

ment of new and existing goods or services with a value of at least \$1.5 million and construction projects worth more than \$65 million. Under the bill, agencies would have to justify the use of bundled contracts by evaluating whether or not such work could be performed by small business. The SBA could appeal to the Office of Federal Procurement Policy to determine whether the use of bundled contracts by an agency is justified. In addition, H.R. 1873 would amend current law to increase the goal of using contracts with small businesses from the current governmentwide goal of 23 percent of the value of all contracts to 30 percent. In addition, the goal would apply to each agency individually, as to well as all agencies collectively.

Based on information from agencies with the most procurement spending and an analysis of SBA reports on governmentwide and small business contracts, CBO expects that implementing the bill would have a significant discretionary cost to review and analyze the need for bundled contracts, prepare additional market research to identify small business concerns able to perform government contracts and provide necessary products, and expand existing mentoring and developmental programs to prepare small business to obtain government procurement opportunities. Based on current contract administration costs and the size and characteristics of those contracts, CBO estimates that complying with H.R. 1873 would increase costs by about \$200 million annually—or about 7 percent of the roughly \$2.5 billion that CBO estimates is spent each year to administer the government’s procurement contracting efforts. We expect that this increase would occur over a 3-year period. Thus, the estimated costs are phased in between 2008 and 2010. Most of this cost would be incurred to administer additional smaller contracts.

*Governmentwide procurement*

CBO expects that agencies would continue to encourage the use of small business for the procurement of goods and services and seek to meet the goal for such contracts in this legislation. CBO expects, however, that agencies would continue to purchase goods and services at the lowest price available and that small business contracting goals would be met to the extent that doing so would not significantly increase the cost of procuring needed goods and services.

*Small Business Administration*

Several provisions of H.R. 1873 would increase the responsibilities of the SBA to monitor and support small business preferences in government contracting and procurement. Such responsibilities would include reviewing bundled contracts and auditing contractor databases. Based on information from SBA, CBO estimates that implementing those provisions would cost about \$3 million per year, subject to the availability of appropriated funds.

Intergovernmental and Private-Sector Impact: H.R. 1873 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Previous CBO estimate: On May 7, 2007, CBO also transmitted a cost estimate for H.R. 1873 as ordered reported by the House Committee on Oversight and Government Reform on May 3, 2007. The version of the bill ordered reported by the Committee on Oversight and Government Reform would not significantly change the current governmentwide goal for contracting with small businesses, and thus, CBO expects it would be less costly to implement.

Estimate prepared by: Federal Costs: Matthew Pickford and Susan Willie; Impact on State, Local, and Tribal Governments: Elizabeth Cove; Impact on the Private Sector: Craig Cammarata.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

### SMALL BUSINESS FAIRNESS IN CONTRACTING ACT

The SPEAKER pro tempore. Pursuant to House Resolution 383 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R. 1873.

□ 1852

#### IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 1873) to reauthorize the programs and activities of the Small Business Administration relating to procurement, and for other purposes, with Mr. LINCOLN DAVIS of Tennessee in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered read the first time.

The gentlewoman from New York (Ms. VELÁZQUEZ) and the gentleman from Ohio (Mr. CHABOT) each will control 30 minutes.

The Chair recognizes the gentlewoman from New York.

Ms. VELÁZQUEZ. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, there is no question that the Federal marketplace continues to grow at record rates. Just last year, the Federal Government spent \$417 billion on goods and services. While the government's buying power is increasing, small businesses' opportunities and access to this market is decreasing. With unfair competition and the combining of government projects, entrepreneurs are being shut out of the Federal market. Currently, the state of procurement for small businesses is one that does more to create barriers than it does to encourage participation.

What we have heard time and time again is that access to government projects is out of the reach of small firms. The barriers in the way of accessing this work is clear, among them, the bundling of contracts, the lack of a strongly enforced small business contracting goal and large firms receiving contracts intended for small firms.

For the past 6 years, the government has failed to meet its 23 percent small business contracting goal, costing entrepreneurs last year alone as much as \$4.5 billion in lost contracting opportunities. With small businesses creating three out of every four new jobs in this country, they deserve to compete on a level playing field for government work. Small firms do not deserve to be left out of the Federal marketplace but, instead, to be given every tool needed to continue to spur economic growth.

The number one reason the small business contracting goal is not being

met is because of the bundling of contracts. Individual contracts being combined works to exclude small firms from bidding on them and often results in higher costs to taxpayers and decreased value for the government. For every \$1,800 awarded in a bundled contract, there is a \$33 decrease to small businesses. When contracts are bundled together creating "super-contracts," they become too large for entrepreneurs to compete.

In 2002, the President pledged during the administration's announcement of their small business agenda that, "We're going to insist we break down large Federal contracts so that small business owners have got a fair shot at Federal contracting." This legislation finally puts his words into action.

To create the illusion that the goal is being met, agencies are using contracts awarded to large companies and including them toward their small business contracting goal. In 2005, approximately \$12 billion in contracts were falsely counted. This gives the impression that agencies are doing more work with small firms than they actually are.

Access to the Federal marketplace is an important mechanism for growth for small businesses. If competition for government projects is not fair, there is no way we can expect entrepreneurs to grow and expand their ventures. This not only benefits entrepreneurs, but also puts taxpayers' dollars to good use. For every dollar in contracts, \$7 in revenue is generated for the Federal Government.

Clearly, large businesses have more resources than small firms. Oftentimes they have access to more capital, can hire more staff and have fewer barriers in the way of marketing and expanding their companies. The last thing they need to be doing is taking contracts intended for small businesses.

H.R. 1873 is a bipartisan effort introduced by Mr. BRALEY. I want to commend Mr. BRALEY for his work on addressing small business procurement issues and bringing this bill up for consideration.

This legislation will help open the marketplace for small business contracts. It ensures that fair competition is enforced and that small firms are given the opportunities they deserve to work with the Federal Government.

With the government being the largest buyer of services and goods and small businesses being the largest job creators, increased partnership between these two is the best value for the taxpayer dollar, and not only benefits entrepreneurs, but communities all across the country.

I strongly urge my colleagues to vote for the Small Business Fairness in Contracting Act.

Mr. Chairman, I reserve the balance of my time.

Mr. CHABOT. Mr. Chairman, I yield myself such time as I may consume.

(Mr. CHABOT asked and was given permission to revise and extend his remarks.)

Mr. CHABOT. Mr. Chairman, tonight I rise in support of H.R. 1873, the Small Business Fairness in Contracting Act. As an original cosponsor of this legislation, we worked closely with Chairwoman VELÁZQUEZ and Representative BRALEY to draft a good, bipartisan bill that passed the Small Business Committee by voice vote and was cosponsored by nearly all the members of the committee.

Our legislation was intended to reform the contracting process, increase competition and provide a better value to the taxpayer. The legislation also takes steps to provide greater opportunities to small businesses and address problems with the Federal procurement database.

Promoting competition and increasing suppliers depends on the active participation of small businesses, the fastest growing segment of the American economy.

□ 1900

Without small business's participation, the government is forced to rely on fewer and fewer businesses to satisfy its need for goods and services. This concentration is bad for the government and worse for the tax-paying public. For that reason, utilization of small businesses to fulfill government contracts has been a long-standing policy, a policy that is neither Republican nor Democrat.

Unfortunately, the bill we are considering today, while making many important reforms, is watered down from the original version we introduced.

I commend Chairman VELÁZQUEZ and her staff for working tirelessly to try and protect the sound work done by the Committee on Small Business.

I also want to thank the Rules Committee, and especially Chairwoman SLAUGHTER and Ranking Member DREIER, for allowing me to offer three important amendments, along with three of my Democratic colleagues, to restore significant provisions of the original bill.

One amendment that I proposed with Mr. SESTAK, however, was not ruled in order. This amendment would have restored a provision of our original Small Business Committee bill related to contract bundling. Contract bundling is a procurement strategy that represents a potential obstacle to small business participation in the Federal marketplace. Contract bundling allows Federal procurement officials to manage the procurement process using fewer contracts. At times, contract bundling may be appropriate. At other times, it may reduce competition by combining multiple contracts for goods or services that could be provided separately into a single contract that small businesses are incapable of performing.

Nothing in our original bill as reported by the Committee on Small Business would have completely prevented the Federal Government from bundling contracts, nor is there anything in the bill that we are debating