



Remarks Prepared For Delivery

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Thank you for the very kind introduction, and for the invitation to speak with you today. It's wonderful to see such a strong crowd.

I'd like to thank everyone at the Office of Small Business Programs for another successful conference this year, and for the opportunity to speak today. I'm glad that SBA could be a part of this important conference, and that I could be here to share some of the great things that we're doing to bolster small business procurement.

Everyone at SBA is in this line of work to help small businesses, and ensuring that small business compete successfully for federal contracts is an important way that we do that. We also understand that helping small businesses is critical for our communities, and for our economy.

Small businesses:

- Employ half of the private sector workforce and create more than two-thirds of net new jobs.
- Account for half of the non-farm GDP.
- Are major drivers of innovation.
- Account for about 30 percent of our exports.
- Are the underpinning for transformation in many of the economically distressed communities in our country.
- And small business ownership is the path to a better life for millions of Americans.

At SBA, we work to maximize federal contracting opportunities for small businesses. This is good for small businesses, but it's also good for you, and for the taxpayer. Small firms are often great partners for the federal government. They are flexible, they provide good customer service, and often, they are cheaper.

But they can be harder to find. And in many cases, small firms are daunted by the process of selling to the federal government. Many small businesses simply take themselves out of the federal contracting game before it even starts.

This is where SBA helps out.

The SBA serves several purposes for small business contracting:

- We reach out to small businesses, and provide business development and education opportunities for small businesses as well as financing and surety bond guarantees
- We work with other federal agencies, like DoD, to try and reach government-wide small business procurement goals.
- And we provide certification for certain socio-economic programs.

As you know, the federal government has a goal of awarding 23 percent of federal contracts to small businesses, and we work with our partners in the

federal government to reach this goal. The federal government missed this goal by 0.2 percent in Fiscal 2006, the most recent “official” data that we have. Even so, small businesses still received almost \$78 billion in prime federal contracts, and almost \$61 billion in subcontracts.

At the Department of Defense, 21.8 percent of its 234 billion eligible contract dollars went to small firms in 2006. That’s \$51 billion in contracting actions that went to small businesses.

In the five targeted sub-categories for small business procurement, the federal government made substantial progress in Fiscal 2006, as did DoD.

- Contracting obligations to women-owned small businesses increased by \$1.5 billion – slightly more than 10 percent over 2005.
 - DoD accounted for one-third of this increase – about \$550 million.
- Small disadvantaged businesses received \$2 billion more in federal contracts;
 - DoD increased its contracting obligation to SDBs by \$619 million.
- 8(a) firms received nearly \$1 billion more;
- HUBZone companies got \$1 billion more;
 - \$446 million, or nearly half of the increase, was in DoD contracts.

- And Service Disabled Veteran Owned small businesses also received \$1 billion more than in fiscal 2005.
 - Again, the increase in DoD contracts to Service Disabled Veteran Owned small businesses, which was almost \$480 million, accounted for half of the increase.

The SBA has ongoing discussions with DoD as we work to increase prime contracting opportunities for these targeted groups, and enhance DoD's abilities to meet its goals. This progress reflects the hard work that you are doing. You are the individuals that are driving progress in all of these areas and enabling small businesses to continue to create jobs and grow our economy. I am here today to speak with you about the things that we at SBA are doing to make your jobs easier. I'd like to highlight a few examples for you today.

First, we do training and outreach events across the country, working to educate federal acquisitions personnel like you, and also bringing federal buyers together with small business sellers.

An important aspect of our role is to guide small businesses directly. For example, we recently launched a major initiative to teach small businesses the basics about selling to the federal government. In mid February we launched an online contracting course, and since then, more than 10,000

clients have benefited from it. 44 percent of those, I'm happy to say, were women.

Second, our training and outreach also includes working with other federal agencies. I chair monthly meeting on the Procurement Advisory Council, where the SBA hosts the small business office directors from the other federal agencies. That is going really well and we are making progress on a monthly basis. We're also currently working with several agencies to develop partnerships, including the VA, and the Nuclear Regulatory Commission, and, of course, DoD.

Collaboration with DoD

In March, we conducted our Partnership Agreement Training at the DoD's Defense Contract Management Agency. We also held training in February at the Defense Acquisition University. Both events covered special ANC issues in the 8(a) program, and last December we held a special procurement roundtable at DoD to provide further information on ANCs.

We're also working with DoD in some other important ways that I would like to mention. We have a partnership agreement with Defense Acquisition University that reiterates the ability of SBA employees to take DAU courses, reinforcing cooperation between SBA and DAU and highlighting SBA programs.

We're working closely with the DoD's Procurement Technical Assistance Centers so that they can take on a greater role in the basic counseling functions for small business contractors. This is important because it will help ensure that small businesses are better prepared, and are ready, willing and able to meet DoD requirements.

We're conducting Surveillance Reviews at DoD to identify 'best practices' that can be shared with other buying offices throughout the federal government.

And we're in the process of renegotiating a Memorandum of Understanding with the Defense Contract Management Agency. The agreement allows DCMA to perform compliance reviews of DoD contractors, while SBA handles civilian agency contractors, and if a contractor has contracts with both DoD and a civilian agency, the agreement establishes the procedure for a joint review. It also standardizes the rating criteria so that SBA and DCMA rate contractors the same way.

GCBD Improvements

Third, in addition to outreach to small businesses and the work we are doing directly with DoD and other federal agencies, we're also focused on

making improvements to our contracting program. These changes are absolutely necessary, for a variety of reasons.

- They're necessary so we bring more transparency to the process. We use our scorecard to make sure that every agency is focusing on small business procurement and receiving the support that it needs from us.
- They're also necessary so we can improve our processes to be more responsive to our customers. We are streamlining processes and addressing concerns, so that the small businesses out there get the service and opportunities that they deserve.
- Finally, they're necessary so we can make it easier to do business through the use of technology. The more that we can use technology to promote small business contracting, the better off we will all be.

Another important element of our plan is to improve the quality and integrity of small business data entered into the government's contracting information system.

We worked with Office of Federal Procurement Policy, GSA, and acquisition agencies to address the fact that miscoding and other anomalies were causing contracts to be incorrectly counted toward the federal government's small business procurement goal.

Over 11 million contract actions were reviewed in order to correct miscoded contracts. We saw cases where non-profits, state or local governments, and large companies were erroneously recorded as small businesses in the procurement database due to these miscodings. By scrubbing the data, we removed \$4.6 billion in miscoded contracting actions. This is an important step to ensure that small businesses can have increased opportunity to secure a larger share of the federal procurement money.

To further ensure the integrity of our data, we needed to address the issue of businesses that won contracts when they were small, but during the life of the contract, grew beyond small business, or were acquired by larger firms. These firms were still being recorded as small businesses, and were counting toward small business goals.

So last year we published regulations requiring businesses to periodically recertify as small businesses, if they were to be categorized that way. These regulations make it effectively impossible for agencies to claim credit against small business goals for contracts that were originally awarded to small businesses that are no longer held by such firms.

SBA is also currently undergoing a comprehensive Size Standard review where the Agency will review two to three sectors each quarter at the two-digit level NAICS code. We anticipate the entire review process will take

18 to 24 months. SBA plans to conduct two industry briefings to receive input from the public on the method of review. We will review those comments and incorporate them into the entire process.

Taken together, these requirements will yield major improvements in the quality of contracting data, including small business information. We are here because we believe in increased opportunities for small business.

The bottom line is that the small business pool is bigger because contracts held by large firms aren't being counted as small, and contracts that are no longer being misidentified as small business contracts if they aren't. By increasing the quality of the data and putting more pressure on the federal government to meet these goals, we're increasing opportunities for small businesses, and we're creating more opportunities for all of us to serve small business in this country.

But cleaning up the data, clarifying the size requirements, and increasing transparency and accountability are only half of the battle. At the same time, it's also incumbent on the SBA to provide more support for federal agencies as they work to reach their goals. We need to do more to help you.

Supporting small businesses and agencies is important, but we understand that our role is not simply to provide oversight from a distance. Our job is

to roll up our sleeves and be an active participant in the process. Our job is to make sure that small businesses are as prepared as they can possibly be – and to work with federal agencies to increase opportunities for small businesses.

There has been some criticism of our scorecard process. We have heard feedback from government agencies that you don't like the way that the Scorecard is reported. In an effort to fix this, in the newest iteration of the Scorecard, there will be a greater opportunity for agencies to provide explanation about their endeavors and their results.

At SBA, we feel that the Scorecard provides a valuable service, that it opens new opportunities for improvement of our programs and advances on behalf of small businesses, and that it adds to the transparency and accountability of our efforts. But, as I said, we also need to support your efforts.

So we are setting forth a series of substantial improvements to our contracting and business development programs that will all have one underlying theme: to better support federal agencies in reaching the goals so that the scorecard becomes a report card of the federal government's success.

There are several ways in which we are working to make this happen.

- First, we have retrained our entire field network and national staff of contracting analysts – our PCRs. In providing re-orientation, we will help our PCRs to work more intensely with federal procuring offices in order to help agencies meet their contracting goals, and will also provide other agencies capacity to focus more on reviewing contract bundling.
- A second important development is that we also authorized more PCRs – an increase of up to 66 nationwide for 2008, from 61 in 2007. These extra five representatives will be out there working to get small businesses federal contracts. New PCRs can provide guidance, counseling and training at DoD buying offices. More PCRs that have daily interaction with DoD buying office staff will result in more prime contracts awarded to small businesses.
- Third, we have improved our turn-around time on 8(a) applications to 90 days.
- Fourth, we've added a new online assessment tool that helps companies determine if they're eligible for the program before they apply. So far, more than 16,000 clients have completed the online assessment tool, and have been advised on their eligibility and suitability for the program. By having a more focused applicant

pool, we'll maximize the value of your time and not create situations where other agencies are doing our dirty work.

- Fifth, we have simplified compliance reviews. And by automating much of the process, we have given our business development staff more time to focus on business development opportunities for the firms in their portfolios.
- A sixth advancement is that we've requested a change to the Federal Acquisition Regulations (FAR) that will implement a 2005 regulatory change we made addressing an agency's discretion when selecting a small business program for a set-aside contract. The proposed rule was published for public comment by the FAR Council on March 10th and closes on May 9th. The rule addresses "parity" between SBA programs. It will make clear that there is no order of precedence among the 8(a), HUBZone, or Service-Disabled Veteran Small Business Programs. For contracts exceeding \$100,000, the contracting officer must consider making award under the 8(a), HUBZone or SDVOSB Programs before the contracting officer proceeds with a small business set-aside. However, if the contracting officer's set-aside decision is narrowed to either a HUBZone or Small Business set-aside, in accordance with statute, the contracting must do a HUBZone set-aside.

- Finally, to increase support through improved technology, we implemented an enhancement to the CCR Dynamic Small Business Search called Quick Market Search. It features a reverse-lookup function that allows all procurement officials to conduct market searches quickly and to find 8(a), HUBZone and other targeted businesses that can perform Federal contracts. It's available through a link from ccr.gov.

In all, these improvements will help federal agencies identify genuine opportunities for small businesses -- and it will help the agencies meet their small business goals. We believe that, through diligent effort by SBA, we can make your jobs easier. And, for your small businesses, we'll get more money into your hands from federal contracts.

To conclude, I want to say that SBA is focused directly on the issues surrounding small business procurement. We are looking to create a situation in which there is a partnership between SBA, the other federal agencies, and the small businesses of this country, where we are working together with the goal of obtaining federal contracts for small businesses. We have a responsibility for oversight on small business contracting at SBA, and we also have a responsibility to do the best we can on behalf of the small business owners of this country. The more that we can all work together on these matters, the better off we will all be.

Federal procurement dollars are a vital way of invigorating entrepreneurship, and ensuring that federal agencies make more real contracting opportunities available to small businesses is an essential way the SBA works toward that goal. And this is in the interests not only of small business owners, but it's good for economy as well.

We have an economy that is adaptable and regenerates, and small businesses keep it this way. I'm very proud of the work that we do at SBA, and we are going to continue to find ways to help our partners in the federal government contract with small businesses.

Thank you.