

**SUBCOMMITTEE HEARING ON FEDERAL
GOVERNMENT EFFORTS IN CONTRACTING
WITH WOMEN-OWNED BUSINESSES**

SUBCOMMITTEE ON CONTRACTING AND
TECHNOLOGY
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
REPRESENTATIVES

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WEDNESDAY, MARCH 21, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON CONTRACTING & TECHNOLOGY
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Bruce Braley [Chairman of the Subcommittee] presiding.

Present: Representatives Braley, Velázquez, Jefferson, Clarke, Sestak and Davis.

OPENING STATEMENT OF CHAIRMAN BRALEY

Chairman BRALEY. I can this hearing to order.

This is the very first hearing of the Subcommittee on Contracting and Technology ever. And we are pleased to have our guests with us today, and also the members who joined us.

I would like to begin by reading an opening statement.

Women-owned small businesses are an important part of the economy. They employ 7.1 million people and their annual payroll is almost \$175 billion. These firms are deriving future growth and job creation in our communities.

One of the best ways for these and other small businesses to grow is to have the Federal Government as a customer. The U.S. Government is the biggest buyer in the world with purchases of \$340 billion per year. It buys everything from aircraft to road construction to computer services. Even with this large market at their disposal, businesses owned by women are still not getting their fair share of opportunities.

In 2005 only 3.3 percent of Federal contracts went to firms owned by women, the Government's highest achievement to date. In order to increase the likelihood that women-owned businesses would be able to participate in Government contracts, Congress set a 5 percent goal in 1994 as part of the Federal Acquisition Streamlining Act, also known as FASA. It quickly became apparent, however, that without a specific procurement mechanism for achieving that goal real progress would be hard to achieve for women-owned businesses. Between 1994 and 2000 the Federal Government never came close to meeting this 5 percent goal.

To address this inequity the Chairman of our Committee, the Honorable Nydia Velázquez introduced the Equity In Contracting

for Women Act, which Congress passed into law on December 21, 2000. This important Act requires the Small Business Administration to conduct a study to identify particular industries where small businesses owned and controlled by women were underrepresented in Federal procurement contracting. It also required the SBA to establish procedures to verify eligibility to participate in a procurement program.

More than 6 years have passed and the SBA has not yet implemented the program. We are here today to ask why.

We are also here to talk about the impact of this failure on women-owned businesses in this country. Since the establishment of the 5 percent target the number of women-owned businesses increased by nearly 20 percent, and today they continue to represent one of the fastest growing segments of small businesses. Unfortunately despite their numbers, growth and contributions to the economy, the 5 percent goal has yet to be accomplished.

If the goal had been accomplished, women-owned businesses would have received an additional \$5.2 billion in contracts in 2005 alone. In the past 5 years women would have received more than \$27 billion in additional Government contracting opportunities.

If these companies had realized this additional revenue, they would have created at least 750,000 jobs in communities throughout the country, shoring local economies and improving people's lives.

Today's hearing will provide us with a forum to examine the obstacles that have prevented women-owned businesses from achieving the 5 percent and how the Federal Government can increase its contracts with women-owned small businesses.

We will also investigate whether there are any actions that this Committee and the Congress should take to reinforced the importance of including women-owned businesses in Government work.

We have called upon four agencies to testify; the SBA, the Department of Energy, NASA and the Department of Education. These four agencies as buyers represented \$36 billion in Government contracting in fiscal year 2005, almost 12 percent of the Federal marketplace. There are some common themes to their purchases from women-owned companies that we would like to evaluate, and we would like to hear about their use of these businesses in their respective agency's contracts.

The Subcommittee is concerned about the delays that have this program stuck in a peculiar regulatory limbo. More than a year ago in November of 2005, the U.S. District Court in the District of Columbia decided that the SBA had an unreasonably delayed the implementation of the program in violation of the Administrative Procedures Act. And yet here we are today with the women's procurement program still not up and running. We need to work together to create these inequities and removed the obstacles to participation that currently exist.

In order to better understand the challenges that women-owned businesses are facing today our second panel will consist of women who own businesses from around the country. They exemplify the type of companies that Federal agencies should be including in their contracts.

I am particularly please to welcome Ms. Karyl Smith, owner of Iowa Valley Appraisal from my congressional district in Iowa.

Women business owners are one of the fastest growing segments of the small business population and are expanding at twice the rate of other companies. Great strides have been made in the private sector to expand opportunities for women. It is time for the Federal Government to do its share.

And with that I recognize my friend, the Ranking Member Mr. Davis for his opening statement.

OPENING STATEMENT OF MR. DAVIS

Mr. DAVIS. Thank you, Bruce.

Good morning. I would like to thank Chairman Braley for holding this hearing. I am looking forward to working with you on this Subcommittee. And I appreciate the witnesses coming here to testify today in what promises to be an interesting hearing.

I would especially like to thank the SBA Deputy Administrator Jovita Carranza, because I understand this is your first appearance before a congressional hearing since your confirmation.

I will keep my opening statement brief so we will be able to get down to our panel.

I think everyone here can appreciate the vital role that small businesses play in this country. They are what drive the economy. Since its inception the Small Business Administration also known as the SBA has been charged with, among other things, ensuring that small businesses receive their fair portion of the Government contracts and sales. The SBA has done a lot of good work towards that end. But there's a lot more work that needs to be done.

In the year 2000 Congress passed and the President signed into law legislation mandating that the SBA establish a program to increase federally procurement contracts with women-owned businesses specifically in industries in which women are historically underrepresented. I was not here when that legislation was passed, but 7 years later the program still has not been implemented.

According to the SBA, prime contracting dollars going to women-owned businesses increased from \$4.6 billion in fiscal year 2000 to \$10.5 billion in fiscal year 2005. While progress has been made toward having a minimum of 5 percent of Federal prime contracting dollars go to women-owned businesses, that goal has not been achieved. Based on the data that I have seen, some departments do better than others.

I understand the challenges faced by SBA in establishing the areas in which women-owned businesses are underrepresented. But what I would like to better understand is what causes such sufficient delays in the evaluation of the initial study, the contracting of the second study and the publication of the rules.

It is my belief that when a mandate is given to an agency by Congress it is incumbent on that agency to take all necessary steps to expeditiously as possible implement the mandate. I look forward to hearing from the witnesses today in that regard.

Thank you for being here. And thank you, Mr. Chairman.

Chairman BRALEY. Thank you, Mr. Davis.

Are there any other members who wish to make an opening statement?

For the benefit of our witnesses, let me explain the 5 minute rule that applies at this hearing. Witnesses will be allowed 5 minutes to deliver their prepared. And the way the lights work you will have a yellow light that will come on when you have one minutes remaining, and when your time is up the red light will come in.

Chairman BRALEY. I would like to begin with our first witnesses, Mr. Jovita Carranza. Ms. Carranza is the Deputy Administrator for the United States Business Administration. And she was confirmed in December of last year.

Welcome.

**STATEMENT OF JOVITA CARRANZA, DEPUTY ADMINISTRATOR,
SMALL BUSINESS ADMINISTRATION**

Ms. CARRANZA. Good morning, Chairman Braley, Ranking Member Davis. Thank you for inviting me to testify today on behalf of the U.S. Small Business Administration regarding Federal Government efforts in contracting with women-owned businesses.

Federal contracts can be a significant source of revenue for small businesses and women-owned small businesses. SBA is working to ensure that small businesses and women-owned small businesses have a seat at the table when competing for Federal contracts.

In 1994, through the Federal Acquisition Streamlining Act Congress established a statutory goal of not less than 5 percent of the total value of all Federal Government prime contract and sub-contract awards for each fiscal year going to women-owned small businesses. Statistics do show that there has been growth in the area of contracting to women-owned businesses. Federal prime contract dollars going to women-owned small businesses increased from \$4.6 billion in fiscal year 2000, or 2.88 percent, to \$10.5 billion, and that is to say 10.5 in fiscal year 2005, or 3.342 percent.

Subcontracting dollars have increased from \$3.6 billion in fiscal year 2000 to over \$6 billion in fiscal year 2003 based on the latest validated data available.

Although we have seen an increase in the number of contracting dollars going to women-owned small businesses, the Federal Government still has not reached the statutory goal. SBA's Office of Government Contracting and Business Development, GCBD is working closely with Offices of Small Disadvantaged Business Utilization in the major Federal procuring agencies to promote the use of women-owned small businesses and encourage them to reach the 5 percent goal.

In addition to these efforts, SBA's GCBD office collaborated with SBA's National Women's Business Council to develop a website for women business owners, and it's known as the womenbiz.gov. This website contains in-depth information for women business owners that are interested in doing business with the Government. It also provides over 100 links to current procurement information.

In December of 2000, Congress created the framework for a Women-Owned Small Business Federal Contracting Program. SBA has been, and remains committed to implementing the statutorily-mandated set-aside for women-owned businesses, but doing so in a way that would be upheld by the courts as constitutionally valid.

Consistent with the requirement in the legislation for SBA to determine the utilization of women-owned small businesses in the

Federal marketplace, SBA itself conducted a study to establish the findings. Once completed, an independent panel of experts at the National Academy of Sciences reviewed the study to assess the sufficiency and validity of SBA's methodology. Ultimately, the NAS panel concluded that the original SBA study was flawed. The NAS recommended a sound methodology for performing a study that would more effectively withstand legal scrutiny.

While SBA was moving forward in its efforts to conduct a valid and constitutionally sound study, the U.S. Women's Chamber of Commerce brought suit against SBA to expedite implementation of the Women's Procurement Program. The U.S. District Court for the District of Columbia is currently monitoring SBA's progress.

On February 21, 2006, SBA awarded a contract to the Rand Corporation and it commenced work to study all industry groups to determine those industries in which women are underrepresented and substantially underrepresented in accordance with the methodology recommended by the NAS. Although there were some unavoidable delays, the disparity study is now in the final stages of clearance and should be published sometime in April.

I speak on behalf of the Agency and on behalf of Administrator Preston when I say that SBA is focused on this issue and ensuring the implementation of the program.

I want to thank you for the opportunity to testify today. I look forward to any questions that you may have.

[The prepared statement of Ms. Carranza may be found in the Appendix on page 46.]

Chairman BRALEY. Thank you.

Our next witness is Dr. Frank Spampinato. Dr. Spampinato is the Chief Acquisition Officer for the Department of Energy.

Welcome.

STATEMENT OF DR. FRANK SPAMPINATO, CHIEF ACQUISITION OFFICER, DEPARTMENT OF ENERGY

Dr. SPAMPINATO. Thank you.

Good morning, Mr. Chairman and Members of the Committee. I am pleased to appear before you today to discuss the Department of Energy's use of women-owned small businesses in DOE contracts. Let me begin by stating that DOE has established increasing contracting opportunities for women-owned small businesses as an objective in its FY '07 Strategic Plan for Small Business. As such, we've established agency strategies, prime and subcontracting objectives, and education, training and outreach objectives for DOE's Women-Owned Small Business Program. Before addressing these strategies, I would like to discuss DOE's business procurement model, which will demonstrate the nature of DOE's procurements and the level at which DOE's small business prime and subcontracting goals are established.

DOE's business or procurement model includes two distinct types of contracts: Facilities Management Contracts and non-Facilities Management Contracts. The Facilities Management Contracts are the primary procurement vehicle utilities at DOE for the operations of its network of Government-owned contractor operated laboratories and other facilities.

FMCs have historically represented from 85 to 90 percent of the Department's procurement dollars. As directed by statute, DOE establishes its prime contracting goals annually. Small business goal for FY '06 was established at 828.7 million or 4.3 percent of an estimated procurement base of 19.1 billion. And the women-owned small businesses goal, which is a portion of that, was established at 65.1 million. The Department exceeded its women-owned small businesses goal by achieving 160.1 million.

DOE also experienced growth in its subcontracts to women-owned small business concerns. From the period FY 2000 through FY 2005, the latest fiscal year for which data is available, subcontracts to women-owned small businesses grew from 485 million to 668 million, a 35 percent increase.

Women-owned small business concerns are a key focus in all of DOE's efforts to improve contracting and subcontracting opportunities for small businesses. Forty-one percent of the proteges mentored by DOE prime contractors in its Mentor-Protege program are women-owned small business concerns. Women-owned small business concern serve on DOE's Small Business Advisory Team; and DOE designates an annual Secretarial Award for offices and facilities that achieve outstanding performance in contracting and subcontracting to women-owned small businesses.

In past years several facilities have won the Small Business Administration's "Frances Perkins Vanguard Award" for outstanding achievement in contracting with women-owned small businesses. In addition to your Strategic Plan requirements, DOE has specific prime and subcontracting objectives for women-owned small businesses, such as:

To include a prime contractor's past performance in contracting with women-owned small businesses as an evaluation factor in solicitations and to incentivize Mentor Protege relations with women-owned small businesses.

In addition, DOE holds monthly Advanced Monthly Acquisition Team meetings to review the Department's major acquisitions for the purpose of maximizing the utilization of small businesses, including women-owned small businesses.

In summary, let me assure that DOE recognizes the important role that women-owned small businesses play in our national and local economies and we will continue to support and promote opportunities for women-owned small businesses to assist them in becoming viable and dynamic entities. DOE will continue to advocate for a strong Federal program for women-owned small businesses in prime contracting, subcontracting, and inclusion in financial assistance opportunities.

Thank you for the opportunity to appear before this Committee. That concludes my prepared remarks. I would be pleased to answer any questions you may have.

Thank you.

[The prepared statement of Dr. Spampinato may be found in the Appendix on page 48.]

Chairman BRALEY. Thank you.

Our next witness is Mr. Larry Warder. Mr. Warder is the Chief Financial Officer for the Department of Education.

**STATEMENT OF LARRY WARDER, CHIEF FINANCIAL OFFICER
FOR THE DEPARTMENT OF EDUCATION**

Mr. WARDER. Thank you, Mr. Chairman and Members of the Committee.

I would like to take the opportunity to discuss our efforts in attempting to increase our effort to contract with all women-owned small businesses.

To put in perspective what the Department of Education is, is we are a very large grant making and loan making organization. We have a budget of nearly \$100 billion, virtually all of which is spent on grants and aid to secondary education and loans to students. So 58 percent of the dollars that we spent in fact go to secondary institutions in forms of grants or they go directly to loans to students or to support those loans.

Another 36 percent is spent on elementary and secondary education.

We have another 5 percent of grants that go for various purposes such as research and discrimination of research information to various organizations.

Only less than 2 percent of the budget of the Department is actually spent on administering and managing these activities. And as part of that we contract, again we're a fairly small contracting organizations with contracting of slightly over a billion dollars a year, unlike many of the other organizations.

So while we are small, we are also small in people. We have 4200 employees that manage this flow of one billion dollars. And we do that through a significant amount of outsourcing of our large systems to accomplish this activity. And those systems would include some such things as the grant making process; everything from discriminating the information about grants that will be awarded through the application, the awarding and then the distribution of funds of those grants. We also outsource our large loan servicing business which administers a \$400 billion loan portfolio of student loans. And these require some very large multinational or at least national in many cases, multinational organizations most of which are publicly held.

So what do we do to try and encourage small business? We have taken as many of those as we can and have segregated out the pieces of those contracts that we in fact could contract directly with smaller organizations. And have been successful in doing that and increasing our small business by more than double over the last three or four years.

We also will take our large systems development efforts and segment those. For example, we typically use an IV&V contractor, which would be a small business contractor, in order to help accomplish these activities.

So we have attempted to take our very large complex projects and find places where we in fact can contract directly with small businesses.

Now, in the area of the small business we have had a huge increase in areas of network equipment and telecom and maintenance and other such services.

In terms of contracting with women-owned small businesses, we also have made substantial improvement. We have not yet hit our

5 percent goal, however we have made substantial progress. If you look at 2005, our volume of direct contracting was small and women businesses was slightly under 3 percent. We ratcheted that up to over 4 percent in 2006. We are running well ahead of last year's pace in 2007. And my testimony says that we are running currently at 9 percent; that is a little deceptive. We will not hit 9 percent this year. In fact, we will be fortunate to hit 5. Some of those very large contracts are yet to be let that typically go to these large national/multinationals. We will improve substantially over 2006. We hope to meet our 5 percent target. We will get close to it, but we may not quite reach it this year.

So we are committed. We are doing the best we can to identify the opportunity for women-owned small businesses. And we are confident that over the next year or two we are going to get to our 5 percent.

Thank you for this opportunity. And I will be happy to address any questions.

[The prepared statement of Mr. Warder may be found in the Appendix on page 53.]

Chairman BRALEY. Our next witness is Mr. Thomas Luedtke. Mr. Luedtke is the Assistant Administrator for Procurement at the National Aeronautic and Space Administration, also known as NASA. Welcome.

STATEMENT OF THOMAS LUEDTKE, ASSISTANT ADMINISTRATOR FOR PROCUREMENT AT THE NATIONAL AERONAUTIC AND SPACE ADMINISTRATION

Mr. LUEDTKE. Thank you, Mr. Chairman and Members of the Committee for the opportunity to testify concerning the participation of women-owned small businesses in NASA.

Consistent with NASA policies supporting other small business programs, the Agency is committed to providing women-owned small businesses the maximum opportunity to participate in acquisitions at the prime contract level. Additionally, the participation of NASA prime contractors in providing subcontracting opportunities to women-owned small businesses is an essential part of the Agency's commitment to increasing the participation of women-owned businesses in NASA contracts.

It is important to note that NASA is focusing on participation of women-owned businesses in high technology areas.

Pursuant to the Small Business Act, NASA negotiates the goals, as do the other agencies, with SBA in implementing our women-owned business program. The Office of Procurement and the Small Business Programs work together.

In addition, at each of our ten field locations the Agency has designated small business specialists to provide a central point of contact women-owned and other small businesses in identifying specific contracting opportunities.

Since the Executive Order in May 2000 the efforts of our field centers have resulted in an increase in women-owned business participation in NASA programs. In fiscal 2005 NASA expended approximately \$263 million in direct awards to women-owned businesses and another 516 million to women-owned small businesses as subcontracts. Preliminary results for 2006 show that NASA ex-

pended approximately 280 million in direct awards to women-owned small businesses and another 573 million in subcontract awards.

As previously stated, NASA places particular emphasis on ensuring that women-owned and other small businesses have the opportunity to compete for the high technology opportunities that encompass a large part of our Agency procurement action. In this regard, our Center Small Business Specialists work in cooperation with the contracting officers and technical people to seek and develop the information on technical competence of women-owned small businesses for research and development contracts, and ensure that this information is available to the acquisition community during acquisition planning. Let me give you a few specific examples.

Recently at NASA's Langley Research Center, Science Systems and Applications, a woman-owned small business, was awarded the Center's Science, Technology & Research Support Services contract. A contract valued at \$140 million over 5 years will provide support to Langley's atmospheric analytical studies, operational data processing and archiving, instrumentation development, field studies and other activities.

Hernandez Engineering, a woman-owned business, has been selected by NASA's Marshall Space Flight Center to provide safety and mission assurance support, a contract valued at approximately \$370 million over 5 years.

Analytical Services, a woman-owned small business and SBA's Region National Contractor of the Year provides engineering and technical support to NASA's Dryden Flight Research Center with a contract valued at approximately \$51 million over 5 years.

Finally, a few of the women-owned small businesses that helped us in our return to flight efforts were Bay Systems of Oakland, California, AMTI of Rosslyn, Virginia and Hernandez Engineering of Houston.

NASA believes that these examples represent the types of expertise that women-owned businesses can provide in support of the nation's space program. NASA will continue to seek ways to provide opportunities for women-owned small businesses including the consideration of additional tools that may assist the Agency in meeting our women-owned small businesses goals.

Again, thank you for the opportunity to appear before the Committee today. I would be pleased to respond to any questions you have.

[The prepared statement of Mr. Luedtke may be found in the Appendix on page 57.]

Chairman BRALEY. Members will have 5 minutes each for questioning of witnesses. And we may do more than one round of questions.

Deputy Administrator Carranza, let me begin with you. Prior to your confirmation what experience did you have with either the 5 percent contracting goal of FASA or the Equity in Contracting in Women Act.

Ms. CARRANZA. Working for one of the world's largest package distribution companies, and working closely with the corporate office in oversight of contracting for that company. I was responsible

for several projects, construction projects. And one of my roles as a VP in that company was to ensure that I complied with the requirements of recognizing contracts to the under served. We didn't call them under served at that point, but it was a particular program that the corporate office had to ensure that we had not only women businesses given job bids, contracting bids, as well as minorities of all ethnicities. So I was very familiar with the process. I was not familiar with the particular program, per se, but our responsibility for compliance gave me some insight on our responsibility to perform a due diligence to get equal opportunity to contractors.

Chairman BRALEY. Did those responsibilities involve actually working to make sure that women-owned businesses were receiving a portion of the contracts that your company was involved in?

Ms. CARRANZA. Yes.

Chairman BRALEY. And can you give us some indication of the types of success you had in meeting those objectives?

Ms. CARRANZA. Well, it was a company-wide perspective and goal. I had a small part of it, being part of the airline operation. I did have significant size projects. And if they gave me a particular list of contractors, I had to recognize women businesses and minority businesses and hold the prime contractors responsible for ensuring that they also respected the subcontracting.

So from a perspective of having a plant engineering manager, I was responsible for a plant engineering manager and he was responsible for the compliance as well as I.

So that was my experience. I could not give you a percent effective, if that is what you are asking.

Chairman BRALEY. One of the requirements of the Equity in Contracting for Women Act of 2000 was for SBA to conduct a study to identify industries in which small businesses owned and controlled by women were underrepresented. Has SBA completed that study?

Ms. CARRANZA. It has completed the study and we are in the stage of having the Rand Corporation going through its analysis. So if I can use the term, it is in play. We know that it is in the process stage, and we should realize it this year. And I am very much encourage that I will see it in my lifetime in this particular role to its fruition.

We are very anxious for the Rand Corporation to bring the results to us. They are performing their due diligence, however the Administrator and I are not going to try to push the analyses to where we would jeopardize the quality of it as well it withstanding the constitutionality issue.

Chairman BRALEY. Well, you may be encouraged that you may see it in your lifetime, but there are literally thousands of women-owned business who, like me, cannot comprehend why it takes 6 years to complete a study of this nature.

Is it your testimony today that the only barrier has been a dispute as to the methodology that is being used to complete that study?

Ms. CARRANZA. Based on the information that I have received, Mr. Chairman, and the review of the chronology of the particular either studies, data analysis, the recommendations by several ad-

ministrative bodies in the body to ensure that whatever studies SBA performed were accurate and could withhold constitutional oversight or insight. At this point based on from 1994 through 2006 it has gone through several reiterations. And they can be substantiated as it relates to who is involved during what period.

Am I in agreement and support the delay factor and the gaps? I am going to tell you as part of my testimony there are some shortfalls in that whole process. But it is very encouraging to learn that—I did not mean to be lighthearted when I said “in my lifetime.” I am very much encouraged to learn that in this particular period this year, early part of this year we will be able to address this particular program in a viable manner with concrete data that, once again, would stand the scrutiny of a legislative body.

Chairman BRALEY. Well, and that is where I am confused, too. Because one of the things that I did when I went to law school is I studied the Constitution. And it seemed to me that the directive of the Equity in Contracting for Women Act gave SBA the responsibility to identify industries in which small businesses owned and controlled by women are unrepresented. That is simply an identification of a problem. That has nothing to do with the awarding of contracts that would give rise to a potential concern about whether they were being awarded in a constitutionally permissible fashion. So I am at a loss as I sit here today to understand why the first component of that directive was held up because of concerns about constitutionality.

Ms. CARRANZA. My understanding is, Chairman, that the first study performed by SBA had a discrepancy in the compilation of NEAC and what they call the Standard Industrial Codes, the identification of the industries. And so there were definite flaws identified in the first study. That is my understanding.

The particulars of how many flaws and could they have been remedied at the time, I could not answer to that. But where there are concrete documented flaws in the study that would have hampered the progress of a particular program, I believe can be quantified.

Chairman BRALEY. Was that first study ever officially completed?

Ms. CARRANZA. It was completed 18 months after the 2000 law was executed. And, yes, it was completed within the SBA body, not by subject matter experts.

Chairman BRALEY. Was that study ever published?

Ms. CARRANZA. I could not answer about it being published. But I do know that it had been submitted for review by the OSDBU group, advisory group to look at the industries that were being represented, how the data was being compiled. And it went through several reiterations. Reviews I should say, not reiterations but reviews. And ultimately the OMB Office recommended that they would have an external study performed based on the findings of close to about a year’s worth of review.

Chairman BRALEY. And when did OMB make that recommendation?

Ms. CARRANZA. I do not know exactly what the date was. But I do know that the National Academy of Science in 2003 conducted the study.

Chairman BRALEY. A study of the methodology or a study of the underlying objective?

Ms. CARRANZA. They reviewed the data that was compiled by SBA and validated that there were flaws in the study that SBA performed.

Chairman BRALEY. And did the National Academy of Science publish their results?

Ms. CARRANZA. I could not tell you that, Chairman. I cannot answer that.

Chairman BRALEY. Would you be willing to check into that and report back to the Committee?

Ms. CARRANZA. Absolutely. Yes, absolutely. I am sorry.

Chairman BRALEY. Do you know who made the ultimate determination that the initial study was not valid and would have to be redone?

Ms. CARRANZA. I would have to get back to you on the particulars of the governing body or the group of personnel or who particularly pulled back that study.

Chairman BRALEY. Well, was it your understanding from the language of the Equity in Contracting for Women Act of 2000 that the ultimate responsibility for completion of the study would have been at the feet of the Administrator of the Agency?

Ms. CARRANZA. I could not attest to that, but I am familiar that the study had to be the responsibility of SBA, which would be the Administrator. So I agree.

Chairman BRALEY. The second component of the requirements from the Equity in Contracting for Women Act required the Agency to establish procedures to verify eligibility to participate in the procurement program. Do you know whether that phase was ever completed?

Ms. CARRANZA. I could not comment on that, Chairman, and I would have to get back to you on it.

Chairman BRALEY. Are you aware of any procedures that have been proposed by the Small Business Administration to verify eligibility to participate in the procurement program?

Ms. CARRANZA. Yes. Although I am not overly familiar with the regulations, but we do have the regulations addressed. Have been addressed, Chairman.

Chairman BRALEY. And what does that mean?

Ms. CARRANZA. To be exact, Chairman, the day before yesterday the regulations have been submitted or to the agencies for review.

Chairman BRALEY. And was that done in some official capacity under your jurisdiction or who would have been responsible for releasing the regulation for interagency review?

Ms. CARRANZA. Yes. It is through our contracting office as the administration office.

Chairman BRALEY. Mr. Warder, I want to ask you a few questions. I come from a long line of teachers. My wife is a teacher, my mother has been teaching for 50 years, my grandmother was a teacher, my great grandmother was a teacher. And one of the things that concerns me when I look at the 2005 achievements of the Department of Education was that an agency that has jurisdiction over a profession that as literally built on the backs of women was doing such a poor job of meeting this 5 percent procurement

requirement. And I understand that based on your 2006 statistics it appears that the Agency has made significant progress and it sounds like 2007 is also encouraging. But can you give me some sense of what the Department of Education's commitment is to recognizing the long history of contributions by women to this profession and how that will be reflected in the awarding of contracts by the Department of Education to women-owned businesses?

Mr. WARDER. Mr. Chairman, thank you for the opportunity.

Obviously as you point out so well, women have been such an important part of the education process, and something that we support very highly.

Our commitment to improving our performance in this contracting activity, and again we are relatively small contracting activity, is to attempt to identify those segments where in fact we can directly contract out those activities that we do. One of the difficulties is so much of our total dollar volume is spent on a few contractors operating our very large systems and processes that we outsource. Those by definition are typically publicly held companies. These publicly held companies will account for something like 70 or 75 percent of the volume of contracting we do.

So we work very hard to try and reach that 5 percent threshold. In fact, our objective is to exceed it. As I said, I do not think we will quite make it this year. We are going to get awfully close. And I would expect in the next year or two we will exceed the 5 percent. So we are absolutely committed to doing it. Our problem is how do we segment out the pieces of our very large contracts in a way that we can actually do them with small businesses in total, however they are owned. So that is our challenge. And that is how we are attacking it first; is how can we in fact take these pieces of very large work and be able to contract any of it with a small business and then identifying those women-owned businesses that we can contract with.

Chairman BRALEY. And what efforts has the agency undertaken to try to reach out and broaden its audience to potential small businesses owned by women who may not be on the radar screen of some of the other information systems that give rise to knowledge about these opportunities?

Mr. WARDER. We do research around, again, I will make it a broader research activity, it is around small businesses including the women-owned small businesses to identify those and what segments they are in to see if in fact we can contract with them. And then we look at our contracts and we try and get the request for quotes out to those specific organizations and get them into our normal flow of contracting activities.

Chairman BRALEY. Mr. Luedtke, one of the questions that I have for you deals with what we have seen as concentration in terms of the vendors who are providing the services who qualify as women-owned businesses in terms of the types of companies that are doing that and the geographic distribution of those companies. I think one of the things that concerns many people is that it appears that a lot of these contracts to many Federal agencies are awarded to businesses that are inside the beltway or close to the beltway. Can you talk to us a little bit about efforts made on the part of NASA to try to reach and expand some of the contract opportunities for

women-owned businesses that aren't located near your major facilities?

Mr. LUEDTKE. Yes, Mr. Chairman, although I would make a distinction if I may in terms of those inside Washington or near Washington and those near our facilities since our facilities are located across the country. And, in fact, many of our contractors locate either originally or a large part of their business close to our facilities in order to better support us.

We have in general attempted to reach out to the small business community including women-owned small businesses. We have also felt that it is critical because of the nature of our business where we have a couple of very large contracts, for instance, the Orion spacecraft, the Aries launch vehicle, the space shuttle operations, that a large portion of our work is basically driven to very large businesses, actually. And to work with them in subcontracting opportunities as well. I think it is important from our point of view that we not only reach out to small businesses that can do the entire effort, but also small businesses that can do a portion of effort. And we've had success in the past with other small businesses in bringing them in, then developing their capabilities as subcontractors and then going on to become very viable prime contractors for us.

So we are working with various women-owned business organizations. We're working also internally to ensure that our folks are aware of the kinds of skills and expertise that women-owned small businesses provide to make sure that they don't just focus on those businesses that are local and that are more well-known because they have dealt with them in the past.

Chairman BRALEY. According to the latest information that I had available, in 2005 only 2.1 percent of NASA contracts went to women-owned businesses. Can you explain why that is and what steps NASA is taking affirmatively to raise that number?

Mr. LUEDTKE. Yes, sir. One of the major reasons is we have a few very large contracts in my agency. We have contracts that are multibillion dollars in nature that make up a substantial portion of our portfolio. So part of the problem we have or the challenge we have with any small business goal is that a large portion of our dollars are locked up in a very few contracts for the major systems that we buy and operate.

That said, we are again reaching out trying to help develop. We have a mentor protege program as well which is focused very heavily on small businesses and small disadvantaged businesses and women-owned small businesses. We are expanding that. In fact, we are retooling it to make it more effective. We are working very diligently to identify women-owned businesses that would be able to provide the kinds of services and goods that we use.

We are also working, as I said, with our prime contractors. Because we have a few of these very large contracts, a large part of our effort is necessarily through those companies. In fact, in our subcontracting goals we have exceeded those. Those are at 11 percent of our subcontracts for women-owned businesses, and we have exceeded those the last several years.

So we are attempting to address the prime contractor issue, but also to make sure that as a community the women-owned busi-

nesses have an opportunity to participate. In some cases, that is more viable in the subcontracting role.

Chairman BRALEY. Dr. Spampinato, I would like to ask you a little bit about the history at the Department of Energy. In your testimony you indicated that increasing opportunities for women-owned businesses was an objective of your agency. And I think one of the concerns that I have, and I think one of the concerns a lot of the women-owned small businesses have is getting beyond objectives to results.

When I looked at the information from 2005 your agency had only awarded .57 percent of contracts to women-owned businesses. What is your explanation for why that number is so low and what can you tell us about the efforts being made to move beyond an objective and achieve an actual designed result?

Mr. SPAMPINATO. Mr. Chairman, first of all, thank you.

And what I would like to say in response to your inquiry, we have a couple of things going for us and a couple of things not going for us. I think I would like to talk about is our legacy. For better or for worse, we talk about these M&O contracts that we have, these facilities management contracts. Now, the challenge on that side of the house is to look at these contracts, which we do at these APAT meetings, and try to take segments out of these contracts that will be opportunities for small businesses and women-owned small businesses specifically. That is our big challenge. Because, you know, over the last ten years or so if you look at the number of M&O contracts, we have cut them in half. And so we are making progress in that area. But that is one of our big challenges.

Okay. But a couple of other things we are doing, too, to make this better. We try to do just some specific things. We go out all over the U.S. at our sites, we go out prior to issuing any requests for proposals and we send a notice of interest and we ask for specific participation by small businesses.

Now understanding that there is not a requirement for women-owned small businesses, a regulatory requirement, they have to fall into one of the categories of 8A or a small business, or an 8A or a HUB Zone or something like that. But we do afford opportunities and look specifically for small businesses, and we list all the socioeconomic groups. Okay. So we are doing that.

We are reaching out to these businesses through our conferences. We have our big small business every year. This year it is in Washington, D.C. I personally make myself available. I have talked to several small businesses. You know, I have been on board for a short time, but I talk to them individually. And our OSDDBU talks to them specifically. I mean, we make ourselves available to them. We have a lot of online resources.

When I go out and talk to large businesses or small businesses, I go out and tell them about the resources that we have available. They can look, see what efforts we have out there. They can look at the scopes of work. They can look what they think is appropriate for them to bid on them. Okay. They can see what is out there, what is coming up, what is going to expire. They can look. We have all that information.

We are very strong in this Mentor Protege programs. Okay. Both DOE is and SBA is. We go out there. When we are talking to large businesses we tell them this is very important, this is critical, to do these Mentor Protege to help small businesses along. Critical.

We also have the offices set individual goals. And we make each individual office accountability.

And this visibility goes all the way up to the Secretary and the Deputy Secretary. So we got high visibility on that.

The last thing I want to say on that is, and I do not want to make this excuse. It is not an excuse about the M&O contract. We are doing our best to look at that work and what I would like to say is I just want to also give credit to SBA on this. They have been working very closely with us trying to understand these M&O contracts and our specific problems that we face trying to break up these contracts. So they work closely with us.

Chairman BRALEY. If I am a woman who owns a business and wants to get more information about participating in a DOE procurement program, what is the easiest thing for me to do?

Mr. SPAMPINATO. I think there are many things you could do. But I would say the easiest thing you could do, Mr. Chairman, is to contact our small business staff, our OSDBU. Contact them or contact the SBA and we can lead you whatever direction you want to go on. Wherever you need to go.

Chairman BRALEY. Well, you mentioned the website. Is there a link on your website where women-owned businesses can go to find out information about procurement opportunities?

Mr. SPAMPINATO. I would say yes, there are. It is not specific to them, but it is available to everybody out there. All businesses, small and large.

Chairman BRALEY. I will reserve any additional questions I have.

I also would like to recognize the Chairwoman of the Committee, Nydia Velázquez has now joined us.

And with that, I will turn it over to the Ranking Member for his questions.

Mr. DAVIS. Thank you, Mr. Chairman.

And I would like to start with questioning Deputy Administrator Carranza. I thank you again for being here.

And if you could just help me understand again, just to get some base points, how long have you been with SBA?

Ms. CARRANZA. I started December 15th.

Mr. DAVIS. Okay. So you were not in here 7 years ago when the original legislation was passed?

Ms. CARRANZA. Correct. I have been here 3 months.

Mr. DAVIS. Okay. And part of the original legislation that we are talking about today and the failure of SBA to move forward and do what needs to be done talks about underrepresented and substantially underrepresented industries. How do you go about determining which industries are underrepresented or substantially underrepresented?

Ms. CARRANZA. My understanding and we are going through that Rand study that is supposed to be addressing those particular indices, Ranking Member. And with that they will be able to substantiate which industries are underrepresented. At this point my understanding is that the 5 percent is a Federal goal target, man-

dated. And so that each agency is to strive to attain that percent performance for Government contracting.

To answer your specific questions about how we identify underrepresented and under served, we have tools with respects to the HUB Zones and the small businesses women's programs and small business programs. But the mechanics of that I could not answer that at this point.

Mr. DAVIS. It is my understanding that was not built into the legislation.

Ms. CARRANZA. Correct.

Mr. DAVIS. What was underrepresented and then moving from a congressional definition what is underrepresented then to implementation of 5 percent. It was actually left up to the Administration to determine. And I think that is where we have had the failure.

I know in the past there has been a study that was started. That didn't work. And if the study is not done correctly, would the study misidentify those business sectors which women are underrepresented? Is that a possibility?

Ms. CARRANZA. That is correct. That is correct. If the data is not analyzed correctly, we could have greater shortfalls. And that is why the Administration is taking a very cautious position to make sure that, once again, although the delay is not acceptable and cannot be supported other than the incremental interventions that took place since 1994 and then year 2000, that we want an accurate, a viable product that again could withstand any type of legislation insight. Because then the program could be held up, more often than not, if it is not well written.

Mr. DAVIS. When do you think we will have the results of a good study?

Ms. CARRANZA. Our expectations, as the Administrator has indicated in previous presentations, we are shooting for the end of April. So if everything administratively goes well, then we are anticipating material, information to develop a program.

Mr. DAVIS. Okay. You mentioned in your testimony earlier that there were some constitutional concerns that the SBA has. Could you talk me through and help me understand what your concerns are about the constitutionality of this piece of legislation?

Ms. CARRANZA. My understanding is that *Adarand v. Pena* was a court case in 1995 that was race-based and it was not dealing with gender-based criteria or sex-based criteria. And at this point as an advocate of small business in general with a focus on the under served, we want to make sure that all under served markets are being considered level playing field. And once again constitutional would mean that it would be not further scrutinized or upheld, but would meet all of the criteria for equal opportunity for all indices. All participants, I should say.

Mr. DAVIS. Okay. It is my understanding back in 2001 that there was proposed regulations and SBA withdrew those. I know you were not there, but can you help me understand why SBA withdrew their regulations back in 2001?

Ms. CARRANZA. It would be premature for me to answer that question, but I can get back to you on that with a particular chronology of actions that took place.

Mr. DAVIS. I understand that we are going to have a study coming forth in April. When do you think that the Women's Procurement Program will be fully up and running?

Ms. CARRANZA. Ranking Member, I want to acknowledge your particular question, but I would also like to precede that the Women's Program or Procurement, I believe, has made gains. My observation is that they have made gains as it relates to attraction of progress. Have we met our goal? No. Are we satisfied with that goal level? Not the goal level but the performance level? We are not. However, with regards to a program as it relates to procurement program or Women's Procurement Program, I believe that we would have that in play for this year, and it would be well understood, if I am not speaking out of line.

Mr. DAVIS. Thank you for your candor.

I would like to move now to Mr. Luedtke. Thank you for being here today. I appreciate that.

You mentioned in your testimony the actual dollar amounts awarded to women-owned businesses. Can you translate that into percentage for me?

Mr. LUEDTKE. For the prime contracts it works out to, I think, about 2.1 percent. The subcontracts we measured that against the dollars available for subcontracting, and I think we are at between 11 and 12 percent of the subcontract dollars.

Mr. DAVIS. Thank you.

I understand that the business that you are in and the Department you are in has very high technology demands. And can you help me understand how small business plays a part in what you do and how much percentage all small business plays in what you do and how technology demands effect that percentage?

Mr. LUEDTKE. Yes, sir.

We had, I think in the last year that we have validated data, about \$1.8 billion that went to small businesses of all kind, both prime and subcontracts. So small businesses actually provide a fair amount of what we do, and much of that is on the high technology area.

The difficulty we have with the prime contracts is we tend to have a very few large contracts. For the space station and for the shuttle, those kinds of things, are multibillion dollar contracts. And that when you look at a percent then, obviously, takes away a fair amount of dollars that would even be available for any kind of small business.

We have made efforts over the last several years to particularly seek small businesses both at the prime and the subcontract level. A fair number of them are fairly innovative and they bring in new ideas, and so we think there are some real opportunities. In fact, we awarded through another transaction type opportunity, two contracts to firms for alternate access to space, to actually build launch vehicles that will take cargo and possibly astronauts to the space station. Both of those companies, although this was outside the normal procurement process, were small businesses. And so we are very open to ways that we can attract new people into the community.

We also have a problem, and I think the Defense Department shares that since we share a lot of the same suppliers, is that with

the consolidation in the aerospace industry and also in the suppliers in the aerospace industry, we are seeing fewer and fewer companies available to bid. And so we are looking for small businesses including women-owned small businesses that could fill that role. We want to bring new companies in, and we think a fair number of them either have or are developing the technology that would allow us to use them. So both from meeting our small business goal, but also from a selfish point of view of just trying to get more people in that would provide more competition and innovation, we are looking and trying to reach out to new firms and small businesses in particular to provide that.

Mr. DAVIS. And that leads me right into my next question. Of all the women-owned businesses seeking contracts with NASA, how many have actually been awarded? Do you know how many have sought a contract?

Mr. LUEDTKE. No, sir. We can try and provide that. I am not sure we would have all of that data in terms of keeping records of unsuccessful bidders.

Mr. DAVIS. But you would have the total amount of women-owned businesses that have applied?

Mr. LUEDTKE. We may. Because in a large number of cases small businesses bid in open competitions. And so we would not be tracking the size standard of a company unless they were awarded or unless it was a small business set aside.

Mr. DAVIS. Okay. Thank you.

Mr. Spampinato, just like to ask you a few questions, if I may. Thank you for being here.

What is the process that the Department of Energy currently uses in procuring contracts with women-owned small businesses?

Mr. SPAMPINATO. Yes, sir. A couple of things that I mentioned, I do not know if you can call it a process so to speak. But a couple of things that I mentioned previously.

We try to go out prior to issuing any RFPs so that small businesses, all small businesses have plenty of notice that we have efforts out there.

We make available to them, like I said, we have a lot of online resources where businesses can look to see what is available, the scopes of work, what kind of work it is, what kind of skills they will need. We have all that out there for them. We make that available.

I mean I do not know if it is appropriate to talk about the goaling, about the internal processes that we do.

Mr. DAVIS. Please.

Mr. SPAMPINATO. Well, what we do is we call upon the offices, they are in the best position, to look at the work, the kind of work that they have coming up in the next fiscal year. We go to them and work with them and their small business program managers, which that person is crucial to this process. And what they do is they work and they come up with a number. Then looking at their, you know, the skills they need, the kind of work they need, what contracts are expiring, what new work is coming up; all these kinds of things that programs look at. And they will say this is the amount of work that we think we would like to go out with small businesses.

Then what will happen is all of those requirements from every program throughout the Department will be floated up to the top, at the top levels. We will look at that goal. We involve everybody in the process. We keep the program and the small business program managers involved. And then we also involve talking with the SBA. Like I said, they have been working with me, working through the dilemmas we have with the big contracts. And we will negotiate our goals with them. And that is kind of how that process works.

But we also keep the programs accountable, hold them accountable for meeting their goals. And what we do is every quarter we have a report that comes out with green and red, you know how they are doing, if they are meeting their goals. And what we will do if they are not meeting their goals, we will go to the Program Office and say "Look, you know, this is critical. This is important. This maintains high level visibility. You have to do this. Why are you not doing it?" And then we work with them to come up with innovative, creative approaches so that they can meet their small business goals.

And that is kind of basically the process we go through.

Mr. DAVIS. Okay. I am going to ask just one quick question to wrap this up. You mentioned a moment ago that you are going to have your conference this year in Washington, D.C.

Mr. SPAMPINATO. Yes, sir.

Mr. DAVIS. Do you think Washington, D.C. is the best place to have a small business conference where we have a lot of people that are very smart and bright connected to Government, but most small businesses are located out in America, outside the beltway?

Mr. SPAMPINATO. Well, sir, that is a good point. And as a matter of fact, a lot of the small businesses that do business with us are located all over the United States. Now what we do as far—I don't know in two years ago, but last year we held this in Seattle. So what we do is we try it around every year so that different people—you know, some small businesses cannot really maybe afford to travel to some of these conferences that are far away. So if we keep moving it around, we give small businesses opportunities to come to the conference.

Mr. DAVIS. That is what I wanted to hear. Thank you.

Mr. SPAMPINATO. Thank you.

Chairman BRALEY. The Chair recognizes the Chairwoman of the Committee, Ms. Velázquez for 5 minutes.

Ms. VELÁZQUEZ. Ms. Clarke was here first.

Chairman BRALEY. The Chair recognizes Ms. Clarke.

Ms. CLARKE. Thank you, Ms. Chair. And thank you, Madam Chair.

Good morning to each and everyone of you.

One of the things that I am a bit concerned about is the level of, I guess, advertising, the level of outward approach and the ferocity at which we go about seeking individual, women-owned businesses to participate with the Federal Government. I think often times we believe that through, you know, notice prior to an RFP that is going to be the best way—well, it is probably just the way that we have been doing it to attract business. But what I notice in the private sector whenever there is an urgency behind

whatever product that is trying to be sold, there is an all-out blitz that takes place.

And I know in communities like mine in New York City and in Brooklyn, access to contracts has been very allusive for many years. And we probably have more activity involving the Federal Government in New York City than a little bit.

My question to you is thinking outside of the box what measures do each of your entities see in concert, perhaps, with one another and then separately can be done to really truly attract businesses that we know are already engaged in the private sector to want to partner with Government to expand upon the base and the pool of valuable businesses out there that are capable, quite capable of doing business with your agencies? And that is to everyone on the panel.

Ms. CARRANZA. I will begin first. And thank you for the opportunity to answer your question.

What we do in the Procurement Advisory Council, and it is chaired by the SBA, is to engage all of the agencies, the OSDDBU, to share best practices. We have taken it to another level where business as usual is discussed, and then discussion of where do we need to go next because it is attaining the performance levels that we are shooting for.

The next level is transparency in our measurement tools. In other words, we are developing an internal scorecard, and it was alluded to earlier. But it is going to be a scorecard that will track the performance of the agencies, and it will be made public. So wherever there is a shortfall, it will be know. So we are now having transparency as a unit.

In addition to that we recognize that we work as the watchdog, we oversee and we advocate, and we try to engage and much more aggressively all of the outreach opportunities that we have from the Small Business Administration, whether it is the SBDCs, the SCORE in addition to the Women's Business Centers. And we need to take those entities to another level of Government contracting knowledge and skill as well.

In addition to that it is also improving, increasing not only the skill level, but the numbers of PCRs so that they could interact and be accessible to all of the agencies as well and work stronger as a conduit.

And we understand that the agencies take ownership for their strategic planning on how they are going to meet their goals. But if we could use the Procurement Advisory Council to push forward much more aggressively the agendas to be much more visible to the Women's Program community, then that how we are engaging and how we are going to take it to the next level.

Ms. CLARKE. Thank you.

Mr. SPAMPINATO. Ma'am, thank you for that question.

If I might add, I mean I agree 100 percent. I think one of the frustrations is sometimes we like to go out there and say "Hey, we have all these systems. Why do you not find the contracts?" And, you know, this is not acceptable. And, of course we have man power issues where we really cannot get out there as much.

But, you know, I guess in its simplest form what I see in our department we have a very good group of OSDBU people. We are out there all time making themselves available.

You know when I came on board I went to an Indian American Conference. And, you know, it is funny but at the basic level people like to put a face on the Government. And I walked around that conference and I must have taken 50 or so business cards and talked to people face-to-face. And I think that is the big challenge; getting out there, putting a friendly face on the Government. Because a lot of times people say "I do not know who to contact." People just do not exactly know to go to the webpage and say doing business with DOE and click on it. And not everybody knows that.

So what I try to do, and I know what we try to do, is we try to get out there as much as we can. You know, we extend ourselves as much as we can and get out to small businesses and large businesses and say, "Look, here we are. This is us." And, you know, you can call me. I have had so many people call me with questions on what to do or how to do it. And I mean they do not ask me anything that is procurement sensitive. I am the Chief Acquisition Officer. But, you know, it is just very easy to talk to them and to tell them "Look, this is how you find out what is available." And I know that is not going to get the entire population, but that is my simple approach. Just to put face-to-face with as many people as we possibly can. And I know my OSDBU takes that approach also.

That is basically my thing.

Chairman BRALEY. The time has expired. But Mr. Warder, Mr. Luedtke, if you would like one minute to respond to Ms. Clarke's question.

Mr. WARDER. Congresswoman Clarke, thank you for the question.

In our case we have aggressively worked to try to identify all small business potential candidates, but also women-owned small businesses. And we have heavily researched and continue to try and identify those businesses that in fact can satisfy our requirements, put them on our list and make sure that they do get notification we do have bid opportunities.

So we are reaching out to try and expand that list. And then as part of that over the last couple of years we have been growing our small business contracting by over 40 percent a year. The last year in 2006 we grew the women-owned small businesses portion of that by approximately 60 percent.

So we are pushing it hard. Our people are very aware of it and we are doing our best to expand our knowledge of what is available out there.

Chairman BRALEY. Mr. Luedtke?

Mr. LUEDTKE. We do similar things. Let me just add a couple of things that we do that may be of interest.

One is we provide, recognizing that it's not always easy to understand how to do business with the Government for somebody that is new to the Government world, we provide training classes at various locations around the country to small businesses that are interested, think they have something to offer so that they can understand what is involved and how best they can pursue opportunities. And being a high tech organization, we also developed an

Internet system that allows people to register and be notified of any opportunities we have, either globally or where they are located, what they are interested in. In fact, that become FedBizOops, the Government system. And it was developed in order to reach small businesses because we knew the large businesses would figure out what was going on.

Ms. CLARKE. Thank you very much for your indulgence, Mr. Chair.

I just wanted to say that, you know, that the issue for me really is how many people are really aware. And it is an awareness campaign that I am talking about, casting a very wide net. We know that there is a weeding out process. We know that there is an educational training, a cultivating, a mentoring issue. But when this Government wants to recruit individuals to join its military, you cannot pass a community that does not have a billboard.

So I am saying why are we not advertising in women's magazines? Why are we not at women's physical fitness facilities where they are? Why are we not at the beauty saloon where women congregate? And I am sure women of all stripes are there, many who are starting their own business or who have already entered the business realm in the private sector.

I am thinking creatively. I am saying let us go directly to the population that we are trying to reach in as many avenues as we can.

Certainly not everyone is going to meet the standard for participation. But the knowledge that they have that they can share with others. Our religious institutions dominated by women. Dominated by woman. Why are we not there where we can begin the conversations that then spread through our communities and identify the entrepreneurs that we are targeting?

I think often times we are not thinking about how we really zoom in and capture that audience. And that is what I am trying to impress upon you.

I know all of the tools that exist. What is missing is that connection with the environment that will produce the results we are trying to accomplish.

Thank you very much, Mr. Chair.

Chairman BRALEY. The Chair recognizes the gentlewoman from New York Ms. Velázquez for five minutes.

STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. And I want to thank you and the Ranking Member, Mr. Davis, for holding this important hearing. And I want to thank you all for taking time to be here.

Look, we could be here today, we could be here next week, next month, two months from now to discuss all the average that the different departments are doing and all the business cards that you are collecting. But those numbers and those average are meaningless if you cannot achieve the goal of 5 percent for women businesses. And this is exactly why we passed legislation six years ago to create this Women Procurement Program to address what we are discussing here today.

So my question to you, Ms. Carranza, is when this program is going to be up and running?

Ms. CARRANZA. Thank you for the question, Chairwoman. I now have an opportunity to tell the phases that we're looking forward to having this women's program implemented this year.

The first phase is the RAND study has been completed and so we should have the opportunity to offer for public view, public input the end of April. And then based on the public comments that are accumulated and then compiled, we should have the program soon after that. April—

Ms. VELÁZQUEZ. When?

Ms. CARRANZA. I can't tell you how—I can tell you that the study itself will be—our goal is to have it in hand for public consumption in April.

Ms. VELÁZQUEZ. If you know that it is going to be ready by April for public consumption—

Ms. CARRANZA. Yes.

Ms. VELÁZQUEZ. —then after that what is the time table? The Administrator was here. I asked him exactly the same question. And if I'm not mistaken, he said it would be up and running by the summer. I want to hear that.

Ms. CARRANZA. Yes, ma'am.

Ms. VELÁZQUEZ. Is this going to be up and running by the summer?

Ms. CARRANZA. If that was the commitment he made, then we will do everything that we possibly can to make it in the summer. The one thing that I want to not go out on point and fall short of the commitment, Chairwoman Velázquez, is that if for some reason the public comments proceed a little bit longer than anticipated, and we're expecting summer to be the end date, then we will keep you informed on a timely basis, keep your staff informed and, obviously, just expose to you the progress of that.

Ms. VELÁZQUEZ. So it is your commitment to work to make this happen?

Ms. CARRANZA. Absolutely.

Ms. VELÁZQUEZ. To have this program up and running?

Ms. CARRANZA. Absolutely. Yes.

Ms. VELÁZQUEZ. Well, let me just say that by issuing press releases like the one that you issued yesterday questioning the constitutionality of the program, that doesn't help.

My question to you is why is it that you didn't raise the constitutionality issue when the SBA raised its concern when the SBA did their finding with the U.S. District Court for the District of Columbia? How come when you did your finding, didn't raise that issue?

Ms. CARRANZA. Chairwoman Velázquez, I want to make sure that the statements that I make to you are as accurate and represent as accurate the status of the particular reference that you're making.

It is not so much about the constitutionality, and I may have misspoken earlier. It is about the accuracy and the sufficiency of the detailed information that should be recognized before—or should support the Government needs, the particular Government interests or the preference interest also. So you are talking about the constitutionality as it relates to the accuracy of the detailed in-

formation that is necessary to identify either the preference group that we are addressing or, for that matter, to support the compelling interest of the preference group that we are addressing.

Ms. VELÁZQUEZ. My original question to you was why did you raise that now or you did not raise it when you filed?

Ms. CARRANZA. Chairwoman Velázquez, I am not in a position to answer that, and I can give you—

Ms. VELÁZQUEZ. That is why I wanted the Administrator to be here.

(Applause).

Ms. Carranza, in the press release that the agency issued yesterday it identifies the 8A program and the HUB Zone program as option for women entrepreneurs. All women entrepreneurs are not eligible for the 8A program nor for the HUB Zone program. Is the SBA suggesting that these programs are sufficient for the needs of women entrepreneurs?

Ms. CARRANZA. Chairwoman, with all due respect, 8A program and the HUB Zone programs are valuable strategic tools. They are in addition to the women's programs, Procurement Program. And it is just an addition to make the opportunities much more comprehensive. They are not singularly—

Ms. VELÁZQUEZ. Well, I will invite you to read the press release that your agency issued yesterday with the intent to prove the point that since we have the 8A program and the HUB Zone, then the Women's Procurement Program is not needed.

If the Women's Procurement goal of 5 percent was accomplished in 2005, women would have received an additional \$5.2 billion in contracts. Is the agency suggesting in this press release that the Women's Procurement Program will not help agencies accomplish their goals?

Ms. CARRANZA. Thank you for the question, Chairwoman Velázquez.

It would be—I would be remiss to not acknowledge the loss of revenues by not having this particular program already in play. However, I also recognize that to move too expeditiously now that we have a viable study it could add significant value to a program, I think there is—that we may miss other opportunities and 5 billion may be a base and not the full capacity of a potential quality driven program.

Ms. VELÁZQUEZ. Well, as you can see in the line of my questions to you or maybe my expression, I am frustrated. And I resent the fact that after six years this programs has not been implemented.

My message to the Administrator is it will be back in this Committee until this program is implemented.

And to the agencies that are here, this is sound policy and is fair policy. Women business owners should have an opportunity to do business with the Federal Government. And we will continue to issue our scorecard report every single year. And we will go and check to see how your average efforts are working or if they are failing. So you have to do a better job. And you have to go back and assess the fact that whatever you are doing is not working is not fair. This is a way to protect taxpayers' money, and this is the way to show that we do care about providing every economic opportunity that we can through the Federal Government so that women

business owners and small businesses have the opportunity to do business in the Federal marketplace.

Thank you, Mr. Chairman.

(Applause).

Chairman BRALEY. Thank you.

I just have one follow up question. Only two of the agencies present here today, NASA and the Department of Education, have awarded contracts to women-owned companies located in my State of Iowa in 2005. These two businesses received contracts totaling \$66,000 and yet your four agencies represent \$36 billion in contracts. That means that women-owned businesses in Iowa received .00018 percent of your agency contracts. And I would like to know for the women-owned business owners in my state how something like that can happen.

Mr. SPAMPINATO. Mr. Chairman, I would say there is no reason for that. There is no discernable reason. It should not be happening. And I think as the Madam Chair said, outreach is probably the issue. There has to be more outreach and especially in smaller areas of the country. We have just got to do more outreach. And the information is just not getting out there. That is the only thing I would say for us.

Chairman BRALEY. Deputy Administrator Carranza, there are currently no SBA procurement center representatives located in Iowa. And yet when the Administrator came and testified before us, he talked about the new PCRs that are going to be put in place. Does the SBA plan on placing one of the new PCRs in Iowa to correct this imbalance?

Ms. CARRANZA. In our—excuse me, Chairman. Thank you very much for the question.

With the new goal of putting on approximately 11 new PCRs, we are accessing based on the potential procurement opportunity the PCRs. And we are taking a beltway look as well on considering for the rural reach, and that is a market we are assessing currently. How many and when, I could not profess at this point. But there are 11 that we are actually considering to be assigned.

And I will take your concern under strict consideration.

Chairman BRALEY. Well, when taxpayers represent 1 percent of the total population of the country and they receive .00018 percent, it is a reason for them to be concerned about whether they are getting a proper return on their tax dollars.

Ms. CARRANZA. I agree, Chairman.

Chairman BRALEY. Thank you.

Member Davis, do you have any further questions for the panel?

Mr. DAVIS. Mr. Spampinato, you mentioned in your testimony, UT-Batelle and Oak Ridge is a success story.

Mr. SPAMPINATO. Yes, sir.

Mr. DAVIS. Could you take just a moment and do you know enough about that to talk about it a little bit?

Mr. SPAMPINATO. Sir, I do not have the information at this time, but I could get it back to the Committee and make it a part of the record.

Mr. DAVIS. That would be good. And thank you for having businesses there in east Tennessee. Thank you.

Chairman BRALEY. That will conclude the testimony of our first panel. I want to thank you all for taking time from your busy schedules to appear today. I think we all would like to see us move beyond objectives to results. And I am encouraging everyone of you to work with this Committee to make that happen.

Thank you.

Ms. CARRANZA. Very good. Thank you.

Mr. SPAMPINATO. Thank you.

Chairman BRALEY. Now I would like to call up the members of our second panel.

If witnesses would take their seats, we will begin.

We have a very distinguished group for our second panel, and let me begin by introducing our first witness, Ms. Margot Dorfman. Ms. Dorfman is CEO of the U.S. Women's Chamber of Commerce based in Washington, D.C. The Chamber represents 500,000 women-owned companies throughout the country.

Welcome, and please share your opening statement.

**STATEMENTS OF MARGOT DORFMAN, CEO, U.S. WOMEN'S
CHAMBER OF COMMERCE**

Ms. DORFMAN. Thank you very much, Chairman Braley, Ranking Member Davis, and the members of the Subcommittee on Contracting and Technology.

My name is Margot Dorfman and I am the CEO of the U.S. Women's Chamber of Commerce. I am here today on behalf of the millions of American women business owners to draw the line in the sand and say enough.

It has been more than a decade since Congress established a 5 percent goal for contracting with women. This goal was set because in 1994 Congress recognized there was a disparity between the number and capability of women-owned firms and their commensurate access to Government contracts. In all this time, the Federal Government has NEVER met the paltry 5 percent goal. This inexcusable shortfall remains in spite of the incredible surge in the number and capability of women-owned firms over the last 10 years, a growth of 42 percent.

Let me briefly review the time line as it applies to women-owned small businesses and Federal contracting:

In 1994 the Federal Acquisition Streamlining Act of 1994 set an overall goal of 5 percent for women-owned businesses. The Act did not, however, establish a specific procurement mechanism for accomplishing that goal. And between 1994 and 2000, the Federal Government never even came close to meeting this 5 percent goal.

In 2000 to address the ongoing shortfall of contracts with women-owned firms, Congress passed the Equity in Contracting for Women Act of 2000, and that was on December 21, 2000. This Act was to give agencies the ability to limit certain competitions to women-owned small businesses. It required the Small Business Administration to:

(1) "Conduct a study to identify industries in which small business concerns owned and controlled by women are underrepresented with respect to Federal procurement contracting" and,

(2) "Establish procedures to verify eligibility to participate in the procurement program."

To date, the SBA has not implemented this program.

2004. On October 29, 2004, the U.S. Women's Chamber of Commerce, in support of its 500,000 members, brought suit against the SBA for its failure to conduct the study of underrepresented industries and publish the regulations necessary to implement the women's program.

2005. In 2005, finally a victory. While the SBA filed a Motion to Dismiss, it was denied by the court on December 8, 2005. The court found that the SBA had unduly delayed the Women's Federal Procurement Program and further noted that the SBA, and this is a quote, "...had sabotaged, whether intentional or not, the implementation of a procurement program..." and concluded that, another quote, "a deadline is in order."

2006. On March 6, 2006, the SBA notified the court that it would finally complete the disparity study within 9 months or by November 21, 2006. No study has been produced to date. The Federal Government still has not reached the 5 percent goal for contracting with women. Instead, contracting with women-owned small businesses hovers around 3 percent. This contracting shortfall costs women-owned small businesses over \$5 billion every single year.

2007. The USWCC petitioned the court on February 9, 2007 for a Status Report and that the SBA report on its progress every 45 days.

The result of this travesty is that a culture of failure has taken hold. Year in and year out the SBA sets goals with agencies, knowing that certain agencies will not meet their goals. Year in and year out the SBA claims they are going to implement the 6 year old Women's Federal Procurement Program. But they don't. The SBA has failed to step up to serve their true role on behalf of women-owned small businesses.

We are here today to call for an end to the culture of failure that has become pervasive at the SBA and all the Federal agencies that are not meeting their goals.

We are here today to call for the implementation of P.L. 106-554 the Women Federal Procurement program.

We ask that we stop blindly setting goals that are never met; the SBA stops that. And that the agency acquisition leaders commit to and meet goals for contracting with women-owned firms by leveraging acquisition strategies that will achieve the congressional mandated 5 percent goal.

Many, many agencies have proven that they can meet and exceed the 5 percent goal. It is time for the culture of failure to end and for our Federal Government to open its doors to the dynamic women-owned small business marketplace.

And upon listening to some of the testimony, I have to say that our members know how to do their research. They know what the websites are, they go to the websites. They know their small business representatives. They respond to proposals. And the fact remains they do not have access to these contracts because they cannot compete. The competition that they are expected to compete with are the large corporations, the Lockheed Martins of the world. And women-owned firms are usually a third the size of their male counterpart cannot hold to that. We must get this law implemented.

We are tired of waiting and we will not let this issue rest. Women-owned small businesses lose over \$5 billion dollars annually. We are taxpayers, we are voters, we are community and family leaders. I ask that our representatives in Congress step up for us. I ask the Federal acquisition leaders act now to advance opportunities for women-owned firms. And I ask that the SBA end their culture of failure and finally step up to leadership on behalf of women-owned small businesses.

Thank you very much.

[The prepared statement of Ms. Dorfman may be found in the Appendix on page 60.]

Chairman BRALEY. Our next witness is Christina Lomasney. She is President and CEO of Isotron Corporation headquartered in Seattle, Washington. This company is in the material science engineering and nanotechnology industry.

Welcome.

**STATEMENT OF CHRISTINA LOMASNEY, PRESIDENT AND CEO,
ISOTRON CORPORATION**

Ms. LOMASNEY. Thank you very much.

Mr. Chairman, Ranking Member and Members of the Subcommittee, I want to thank you for allowing me this opportunity to appear before you this morning.

My name is Christina Lomasney. I am the CEO of Isotron Corporation and Modumetal, Inc., both Seattle-based, woman-owned and operated small businesses.

Modumetal and Isotron exist today due to the contributions of highly trained technical individuals, the vast majority of whom have advanced degrees in science and engineering. Thirty percent of my technical teams are women. Isotron and Modumetal deal in very advanced fields of material science and engineering that involve applications of nanotechnology to polymer composites and metal alloys respectively. Current and past clients include the Department of Defense, the Department of Homeland Security, the Environmental Protection Agency, the Department of Energy and commercial partners such as General Dynamics and the Ford Motor Company.

This morning I have been asked to address concerns related to the Women's Federal Procurement Program, and specifically the Equity in Contracting for Women Act of 2000.

Let me first state that I have been the grateful beneficiary of the support of the Federal Government and the American taxpayers for a great deal of the advanced research and development carried out at Isotron and Modumetal. I am always mindful of the tremendous responsibility that I have to be a wise steward of the resources that have been entrusted to us to develop cutting edge technologies that are intended to serve this nation in both public and private sector applications.

Furthermore, as the proud sister of 3 Marines, one of whom is currently active duty and deployed in Iraq, I believe the core mission of both Isotron and Modumetal is to identify creative technologies to enhance the personal safety, protection and success of our nation's citizens and the men and women who defend our freedom in the field. It is for this reason and for many others that my

exposure to the shortcomings of certain Federal contracting programs brings me here today.

Most importantly, I want to offer one person's humble opinion on how we can make the Women's Federal Procurement Program more successful in the future.

In 2003, Isotron was funded to provide the feasibility of an advanced, removable vehicle coating for the Department of Defense. Despite letters of support provided directly from the United States Marine Corps recommending a Phase II effort to advance the demonstrated system, the program stalled at the very stage where the technology would have been transaudient to a prototype product. We did not give up in the face of this obstacle, however. We have over the past 3 years worked directly with a commercial partner, a major military vehicle manufacturer, to continue requirements definition and testing internally. And today the Joint Services Chemical and Biological Defense Program has stepped up to put their full support behind this vision.

It is my hope that we will provide a product to the field within the next two years that will measurably improve the survivability of our men and women in the field. The frustration and, indeed, the tragedy is that in a more efficient market we might have delivered this critical product to the field three years ago.

As part of my testimony this morning I believe it is incumbent upon me to do more than just offer my concerns about what has not worked in the context of the Women's Federal Procurement Program.

Given, and the facts bear out, that the Federal Government has not met its self-imposed 5 percent procurement goal and that over the last 5 years alone women have lost an estimated \$25 billion in contracting opportunities, I expect that it is time we had a frank talk about changing or enhancing the status quo.

Federally funded research and development is unquestionably very effective at developing high risk early stage technologies which hold great promise to serve the public. It is, however, my humble opinion that federally funded transition of that research into products is often inefficient. The reality, in fact, has become so common, it has its own name: The Valley of Death.

It is time that these inefficiencies are directly addressed. And I hope to use my time here to offer some thoughts on what might work.

We have an opportunity today to try a new approach which compliments the old that will provide women-owned businesses an opportunity to compete in specific areas in which we have been historically underrepresented. We have an opportunity to try something that will help women-owned small businesses lead the charge in crossing the Valley of Death.

My interests, and I believe the interests of a vast majority of a women-owned businesses is to create a dynamic market in which the investment in our expertise, our creativity and our technology creates more investment because of the power of our business model alone. AS a woman small business owner and operator, the opportunity to forge a partnership with major corporations or customers to bring products to market is often a missing piece of my economic puzzle. The Federal Government can help complete the

puzzle by developing or expanding programs such as the procurement program before you, the mentor protege program or focus tax credits in which major commercial partners receive significant incentive to invest in women-owned small businesses. As incubators of growth, as employers of skilled innovators, as developers of new products such an approach will create new markets and new opportunities not only for innovative small businesses like mine, but also for the major corporations that invest in our potential and for the markets that we serve.

Additionally, if such programs are expanded we may have created a bridge against the Valley of Death that any small business can safely and successfully cross.

The current Women's Federal Procurement Program was intended to provide women-owned businesses an opportunity to compete where we have been underrepresented. The proposed approach continues the same philosophy and takes it one step further: To establish a competitive field of women-owned businesses addressing the national challenge of transitioning advanced research into product.

In conclusion, I hope my testimony today is of some value and benefit to this Subcommittee. As I indicated in the beginning of my remarks, I am grateful for the opportunity to be the beneficiary of the trust of the Federal Government and taxpayers who support programs that serve to incentivize innovation. But I hope that we will not stop there, that we will not see more technologies and companies flounder in the Valley of Death. I hope that with your support we can bridge this valley and in our execution realize the objective of a marketplace where women and minority-owned businesses play a competitive role with their technological rivals to the benefit of the military, education, energy and other Federal and commercial customers that we serve.

[The prepared statement of Ms. Lomasney may be found in the Appendix on page 62.]

Chairman BRALEY. Thank you.

Very pleased to recognize and welcome one of my constituents to the panel. Karyl Smith is the owner of Iowa Valley Appraisal located in Waverly, Iowa, which is a real estate appraisal company.

Welcome to the hearing.

STATEMENT OF KARYL SMITH, IOWA VALLEY APPRAISAL

Ms. SMITH. Thank you. Good morning.

I am honored to appear before you today to offer an insight into my profession, to address the concerns regarding the delay of the implementation of the Women's Federal Procurement Program, and to ask for your help to intercede on behalf of women-owned small businesses like mine, and hold those Government agencies and individuals accountable for their failure in implementing this program in a timely manner. I would also like to offer suggestions that I feel would enable other women-owned small businesses the opportunity to participate in this program.

As a certified general real estate appraiser I presently contract with the USDA and provide appraisals on small, single and multi-family homes. For several years I was not aware that the USDA hired or contracted privately with real estate appraisers. Then

while attending a continuing education program and in a seminar, a woman from the USDA office in Des Moines stood and asked if anyone was interested in appraising for the USDA. She handed out her business cards, told the attendees to reply by e-mail, provide her with the required information and we would be placed on the list or roster of eligible appraisers. Now I must annually register on the CCR in order to be eligible to receive contracts from the USDA.

How the USDA utilizes this system is very simplistic. Once registered in a county the appraiser's name is placed on a list and each appraiser is given a turn or contract. It is a simple repeating process. The simplicity of this system does not acknowledge women-owned small businesses nor does it track the percentage of contracts awarded to them. Let me repeat, this system my business is currently registered in with the USDA does not acknowledge women-owned small businesses nor does it track the percentage of contracts awarded to them.

The USDA is the only agency that I presently contract with. My concern in regards to my profession is how many Government agencies have needed or required the services of real estate appraisers in the past, present or future that I am not aware of?

With the devastation that Hurricane Katrina left on our south and southeastern coastal areas, I am sure that there are numerous agencies of Government, perhaps FEMA, Homeland Security or HUD, who could have and may even still need appraisal services, but there is no centralized system or depository for businesses, such as mine, to bid or access this information. Without an outreach program or depository in place there is a significant amount of research and time required to locate buyers or users of any product or service, monitor any bids that they submit, accumulate all the associated data relevant or required in order to bid, then prepare and submit the bid. With all service businesses, time is money. The tremendous amount of time involved would take resources that many small businesses simply do not have. I know I do not have the time to do extended researches, continue my education, run a small business and maintain a home.

According to the US Women's Chamber of Commerce, women-owned small businesses have annually lost \$5 billion dollars worth of contracting opportunities. Over these past 6 years this amount totals a staggering \$30 billion dollars. Without the implementation of the Women's Federal Procurement Program this amount continues to grow. We need to ask ourselves how many women-owned small businesses have shut their doors and folded when they could have been awarded a small piece of this \$30 billion dollar pie? We need to ask ourselves, how many women-owned small businesses, and specifically real estate appraisers, could assist in the timely rebuilding of our Gulf Coast had we been solicited through the Women's Federal Procurement Program? And, how much of that "lost" \$5 billion could have been injected to a small business like mine?

In my profession I am required to follow the laws and the procedures established by the Appraisal Standards Board and the Iowa Professional Licensing Division. If I fail in following this set of procedures and laws I would be disciplined. This discipline could pos-

sibly include the loss of my license. Why isn't the Federal Government held to the same standards it expects its citizens to abide to?

Why is it that 6 years after the Equity in Contracting for Women Act of 2000, which passed on December 21, 2000, is still not implemented? This Act required the Small Business Administration to do two things. Is it not one of the SBA's main purposes or jobs to aid and assist small businesses? Why then would it not be a priority for them to get this program up and running? What was so difficult in this task that it would 6 years and counting to complete? Who is being held accountable for this delay?

My suggestions for taking this negative and turning it into a positive include making the SBA develop strategies that would assist women-owned small business in acquiring governmental contracts. Also that these strategies be placed on a time line and if or when they have failed in being implemented, that someone is held accountable.

Another suggestion which would greatly impact all business owners would be a centralized or depository for governmental contracts. This system would allow both users and providers of products and services easy access to information including a listing of eligible women-owned small businesses. It would also include a publicized listing of who and where contracts are awarded, by what agencies and the monetary amount of the contract.

The system then would be able to track the percentages of contracts awarded to designated women-owned small businesses. If there is a similar system in place, it is not easily accessible or public knowledge. I have no idea of one.

Lastly, the number of women-owned business continues to grow daily. This is a good thing. However, the revenue generated by us pales by comparison. With the assistance of the Women's Federal Procurement Program we could add to the vital economy of this country, bring additional dollars to our community and ensure our families live the American dream.

Thank you for this opportunity to appear before you today and be a voice for women-owned small businesses.

[The prepared statement of Ms. Smith may be found in the Appendix on page 67.]

Chairman BRALEY. Thank you.

Our last witness is Ms. Sheryl Roberts. She is the Chief Executive Officer of CCS Holdings, LP in Irving, Texas. CCS company is a Third Party Administrator specializing in workers' compensation claims and risk management services.

Welcome.

**STATEMENT OF SHERYL MENDENHALL-ROBERTS, CHIEF
EXECUTIVE OFFICER, CCS HOLDINGS, LP**

Ms. MENDENHALL-ROBERTS. Thank you.

Good morning again. My name is Sheryl Mendenhall-Roberts and I am a founding principal and the Chief Executive Officer of CCS Holdings, LP of Irving, Texas. It is woman-owned and operated small business. Please accept my appreciation for permitting CCS to offer requests and comments before this distinguished committee

CCS companies have been in business for 10 years. Our companies are Third Party Administrators, providing workers' compensa-

tion claims and risk management services to the Government and to the private sector. We provide unique expertise with the Federal Employees Compensation Act, otherwise known as FECA and have years of experience working with the Department of Labor. Our FECA program allows us to represent the Agency, to support the injured employee through the claims process and to provide information to the Department of Labor to facilitate a satisfactory resolution of the claim as soon as medically possible.

In 2005 annual report to Congress, the U.S. Department of Labor/OWCP indicated an annual benefit charge back to Federal agencies of \$2 billion dollars and administrative expenses of nearly one \$140 million dollars. Adverse trends identified by OWCP were:

A 6 percent increase in the number of workers' compensation claims reported from the previous year;

A 30 percent increase in serious injuries reported since the fiscal year 2000, and;

A 22 percent increase in total disability days during the continuation of pay period.

The report also states that the Department of Labor projects a gross liability for the Federal Government for future FECA benefits at \$26 billion. As we specialize in the analysis and administration of workers' compensation, and these expenditures and trends are alarming to us. We believe our track record shows that our services not only reduce the costs and trends, but we have found it challenging to tell our story.

Since 1998 we have knocked on the doors or submitted unsolicited proposals to approximately 25 or more agencies and departments but our success ratio is small. After obtaining our GSA Schedule, we were excited that GSA FSS contracted with us. The GSA FSS contract, over a period of five years, produced conservative savings of \$13 million. Our fee was only \$150,000, that produced a return on investment of \$86.66 for every \$1.00 paid in our fees. Despite the savings, the contract ended when the GSA took the program back in house. There has been no additional contract awarded since.

Another example: We were awarded a Federal contract in 2001 for FECA administration. And we were told by the Department of Commerce that their internal department costs were reduced by more than 50 percent due to this privatization. Due to the success of the contract, the Department of Commerce gave us 29 of their most difficult cases in a pilot project. The project produced savings of more than \$35 million. The original contract was then amended the following year to include 75 similar claims annually for a fee of \$49,999. In spite of savings averaging \$1,206,896 per file in future liabilities, the Department of Commerce could not get the funds appropriated to outsource additional cases and the following year the amendment was terminated. Fortunately, the Department of Commerce has maintained its contract for new claims and will continue to see a suppression in future liabilities on these claims. Considering our successes, however, the lack of contracts is not only frustrating to us as a small woman-owned business, but also as taxpayers. Taxpayers are paying unnecessarily for claims that could be negotiated or eliminated by using services such as ours. And, by using a woman-owned small business, most Government

agencies could drastically improve their goals toward the Federal Women's Procurement Program.

Our business involves providing a service, an Agency Human Resources function for outsourced FECA administration. We do not produce a widget.

In many instances, our attempts to contact Government entities go unheard. We have found it difficult to find legitimate opportunities to present our program. They do not see the innovative "out of the box" concept of moving toward outsourcing and dismiss the service without truly investigating its value. Despite the proven savings, we have been told by some agencies that they are simply not interested, for example, the Department of State.

When we are provided an audience, as with Commerce and the General Services Administration, we are ordinarily met with positive feedback and genuine interest. Unfortunately, we are most often told that while there is tremendous value in our service, the uniqueness of the program makes it difficult or impossible to get funds appropriated. Agencies such as the U.S. Army and FEMA fall into this category.

We ask, why would Government agencies not be interested in doing business with a small business who can produce these kinds of result? Why is it so difficult to get an audience with anyone who can make a decision that the services brought before them are worthy of consideration?

What is the value of certification and contract processes that are not utilized?

How does a small business stand a chance of bringing new and innovative ideas in areas that were previously not considered, if Government entities are not willing to try a new approach?

When will the Government as a whole, not only recognize, but reward small women-owned businesses that are capable of producing worthy products and services?

Where is the real push to see greater business, 8A, small business that's woman-owned business set asides included?

We ask for an open door policy with an open door; for participation: for parity; for organized effort: for a real rapport with Government: for a unified front from all of you; for a turning point: a newness of resolve: for your tenacity: for an initiative to create our participation;

We ask for meaningful opportunity.

Thank you.

[The prepared statement of Ms. Mendenhall-Roberts may be found in the Appendix on page 71.]

Chairman BRALEY. Thank you.

Let me start with you, Mr. Dorfman. Can you explain based upon input from your members why the Women's Procurement Program would be helpful in increasing contracting opportunities for women-owned businesses.

Ms. DORFMAN. Yes, I would be glad to. Thank you.

The members that we have, this is not just a women's issue for one thing. It is a family issue. It is a community issue.

The majority of women-owned firms, as you mentioned earlier, we employ quite a few people in the community. And without this being implemented, we are unable to access the contracts that will

bring the monies back into the business and into the communities. So it is very important that this is implemented.

Chairman BRALEY. How do you respond to people who say that the lawsuit filed by the U.S. Women's Chamber of Commerce has slowed down the implementation of the Procurement Program?

Ms. DORFMAN. I would say that nothing has happened without the court direction to the SBA. The SBA has not taken any action without court direction. And this is what we need to do to make it move. This is what we are doing. We have got the court involved and, thankfully, we have got the House Committee on Small Business doing the oversight that is needed to bring forth, hopefully, speedy implementation.

Chairman BRALEY. You were here when the Deputy Administrator testified today.

Ms. DORFMAN. Yes.

Chairman BRALEY. What was your reaction to her justification about why the program had not been implemented?

Ms. DORFMAN. I have heard many of the justifications over the years, and the facts remain that the law was passed six years ago. That the law must be implemented. It is a law. And that the SBA—it is not in the SBA's authority to disregard the law, to make changes to the law. When they came out with the first set of draft regulations they actually changed the intention of the law from what Congress had intended. And we, of course, responded to that as well. But what we see that needs to happen is that the law must be passed as it was intended by Congress and the results are to get the contracts to the women-owned firms so that they have access that they can compete in the market, they can grow their businesses and we can grow the economy of the United States.

Chairman BRALEY. In your view will the agencies meet their 5 percent goal for contracting with women-owned businesses without this Women's Procurement Program?

Ms. DORFMAN. Absolutely not. When we first started to talk to our members and ask them how is it that you would like us to help you to grow our business, they said we need access to Federal contracts. We don't have access currently. We met with every single small business director for every single agency. And whether they were appointed or not, doors would shut. But that is what they said. If you really want us to be able to assist and grow the numbers of women-owned firms that we can help get contracts, this law must be implemented. And it was upon those two requests that we started the process of meeting with the SBA, started the testifying here at House Committee on Small Business to really bring the issue to light and ultimately meet the Administrator, at the time, Hector Barreto who said to us in quote "This Administration has no intention of implementing this program."

When we sent out our release to our members to say this is what we have done, this is what the response is, what do you want us to do next we had hundreds of thousands of responses saying it is time to fight. We have to sue. That is when our pro bono attorney Covington & Burling stepped up to assist us and we filed the lawsuit.

So this is imperative. It is a good tool for the agencies. I heard other issues that were needed. One was the whole bundling concept

which is a whole number issue that once we get through this, get this implemented, we will have to go back and start the unbundling. But we need to get this. Without this tool those agencies' hands are fairly well tied.

Chairman BRALEY. In June of last year the SBA issued proposed regulations for the Women's Procurement Program and suggested that establishing a certification program whereby SBA would certify all companies as women-owned, does that seem reasonable to you?

Ms. DORFMAN. Well, I think what needs to happen is they need to go back to the letter of the law that Congress implemented and follow that.

What they were proposing was that through this certification process that they would take in house, they would not also acknowledge DOT certification which is already in play, that they would be able to get 2,000 certifications for woman-owned firms done a year. There is 76,000 woman-owned firms registered in CCR. This would 38 years more to actually complete and get implemented. I don't think that is reasonable at all. I think we need to stick to what the letter of the law is and follow that.

Chairman BRALEY. Ms. Smith, during your testimony you talked about some of the problems you had experienced in delaying the implementation of this program and also talked about suggestions you might have to offer other women-owned businesses who face challenges in gaining access to these procurement programs. I just wanted to give you the opportunity to share some of those suggestions with us.

Ms. SMITH. I think one really good suggestion was, and it was brought before you about outreach. The SBA can go to different organizations. They can go to conferences held by women-owned businesses. They can implement a program that would allow a centralized system so that we can access it easily. Because the research now, I don't have time to sit in front of my computer and research for hours on hours. That I think the biggest key for me is getting a centralized location so that they know who we are and that we are women-owned and we are all small businesses. And that they can even come to us as opposed to us always going to them.

Chairman BRALEY. All right. One of the things you talked about in your testimony was the amount of research required to identify contracts to bid. Have you taken advantage of any of the electronic systems that we talked about, such as the FedBizOpps?

Ms. SMITH. Actually, I was not aware of that until I started doing research to appear here today. Weekly I get e-mails from companies that offer me the service to research for me at a fee of \$120 a month. But they cannot guarantee any results or return on my investment of \$120 a month. So I have not taken the time.

Once again, it is simply because as a woman I have several hats. I have the hat of a mother. I have the hat of a wife. I also am a partial owner of two additional businesses. But I also registered with the CCR. Why could not the CCR come back to me and offer me suggestions of where I can get governmental contracts.

Chairman BRALEY. One of the concerns I mentioned earlier in the hearing was this issue of geographic imbalance. The Department of Education has 88 percent of its contracts awarded in the

greater D.C. area. The Small Business Administration has 90 percent of its contracts awarded in the greater D.C. area.

As someone who has participated out in the heartland, can you talk to us a little bit about the specific challenges of small businesses owned by women who do not have access to some of the information and resources available here in this area?

Ms. SMITH. That was really disheartening for me to read also when I started doing research. Let me just state that 2 percent of my income comes from the Government for contracts with USDA. My taxes on that, I pay well over 400 percent of that back in taxes. It is very disheartening for me.

The problem that women-owned small businesses have out there, especially in rural Iowa, and this is very sad to say, but even in my profession we call it "the good boys club." We are not always allowed access. We are kept out of a lot of professions in a lot of areas, which even makes it even more difficult.

There are some companies and institutions, the University of Northern Iowa for example, offers an excellent outreach program to help women get into business, help them meet their goals of their business. I applaud them. But once again, it is a time factor. I do not know how many women can take out 2 to 3 weeks out of their lives and go and learn a lot of this and yet still try to keep this business that they started up and running.

Chairman BRALEY. Ms. Lomasney, in your testimony you talked about what has not worked and you mentioned specifically the federally funded transition of research into products is inefficient, and you described as the Valley of Death. Can you give us a little bit more insight into your experience with that particular problem?

Ms. LOMASNEY. Absolutely. I would be happy to.

My company does a lot of contract research and development for the Department of Defense. And in general we are trying to develop technologies that will result in innovative products. Unfortunately, the SBIR programs tend to stop at a particular point in the development process. And the result of that is that we do not actually get to procurement contracts. So we do not realize that transition from an interesting technology that shows promise to an actual product that can realize benefit in the field. And it is that transition that is our challenge. And I think it is the Valley of Death that we need to address.

Chairman BRALEY. And so as you walk in the shadow of the Valley of Death and you fear no evil what suggestions do you have for this Subcommittee on how we can eliminate that obstacle?

Ms. LOMASNEY. Well, I think there are a lot of things that we can do. Certainly being aware of the Valley and trying to focus initiatives towards realizing that transition within the Government is one way.

Another way is to look to the commercial sector. And I think that is where we are trying to innovate and I think women-owned small businesses could lead the way in trying to partner with larger corporations, the mentor protege program being one way of realizing that, to realize that transition. The commercial markets are very efficient at transitioning technologies into products. And so we can leverage, I think, a lot of the expertise that already exists to do that.

The question is how do we incentivize corporations that have already crossed the Valley of Death to work with small businesses and women-owned small businesses to make that transition or to bridge that gap.

Chairman BRALEY. Based on your testimony it is clear that your company had contracts that could be considered both prime and subcontracts, correct?

Ms. LOMASNEY. Yes.

Chairman BRALEY. And given that, some people might argue that your company is not in need of the additional assistance that might be available from this type of procurement program. How do you respond to that?

Ms. LOMASNEY. Well, first of all, I will say we will never sit on our laurels and say good enough is good enough. I would welcome anyone to come and visit our library in Seattle. We keep copies of all of the proposals we have ever written in our library. And from visiting you might think we would be a much larger corporation.

My statistics show that approximately 1 in 10 to 1 in 12 of the proposals we write actually result in some sort of awards. So there is a lot of room for improvement.

I will also mention that I have never ever received a contract from the Federal Government that was the result of a well known small business set aside. So we work very hard to compete in full and open competitions. If that were not the case, I think our statistics might be quite different. The number of jobs that we can create as a result would also be.

Chairman BRALEY. Ms. Roberts, listening to your testimony I felt a great deal of frustration at what you must have gone through in providing a valuable service that provided a good return to the taxpayers of this country only to have door slammed in your face. I wondered if you could comment about what that does to women business owners who are trying to capture a piece of this important market by having to go through the hoops of countless reselling the value of your services to the Federal Government?

Ms. MENDENHALL-ROBERTS. Well, you are quite correct. There is a high level of frustration that goes into something that you pour your life into. There is a high level of frustration when what you can give back, and has been proven that you can give back, is certainly valuable to us all for many reasons.

I think what it says to women, quite often, is what chance do we really stand. I think it says that perhaps there is a lot of lip service but there is not much beyond that.

I think it says that there is an awful lot of rhetoric but there is very little accountability that really goes behind. You can enact all the laws you want to. Someone is going to have to enforce it. You can make all the good Committee hearings and let us get on the air and let us put facts before you, but unless you decide that you are going to take this back and try to do something with it with your peers that is accountable, then we are rather stymied.

We keep trying. I think that you will find most women business owners, and I am sure most business owners in general, we are quite tenacious people. I was called a she-wolf one time by a peer of mine, that if I ever got my teeth into something, I would never let it go. And I have never let go of the dream that this business

that means I think so much to what could happen here. Because think about it. If we could produce savings on 29 files in excess of \$35 million, then what really is there to be accomplished? How many programs have you and your peers wanted to see go forward that you had to cut because of budget restraints. Those funds might have kept lunches in children's tummies instead of having to have it cut.

I think women believe in what they do. I think we believe that you people must care. I think you are probably somewhat frustrated sometimes to know what to do for us. And the only thing that we can ask you to do is to keep being innovative. Keep hearing. And keep being willing to carry that ball down the field. A touchdown is possible.

Chairman BRALEY. Thank you.

And with that, I will yield to the Ranking Members.

Ms. DORFMAN. Thank you, Mr. Chairman. I have no questions.

Chairman BRALEY. I want to thank the panel for your courage in sharing these observations with us. I want to thank everyone who came to the hearing today to be part of the very first hearing of the Contracting and Technology Subcommittee of the Small Business Committee of the United States House of Representatives.

We have heard a lot of important testimony. We have a lot of follow up work that needs to be done. And I will be working with the Chairwoman of the Committee and the Ranking Member to make sure that there is greater accountability to see that this program not only gets off the board, but it starts to have the type of impact in the lives of women-owned businesses around this country and achieves the dream that was first set out in 1994.

Thank you all for coming.

This meeting is adjourned.

[Whereupon, the Subcommittee meeting was adjourned at 12:30 p.m.]

Statement of Subcommittee Chairman Braley
Hearing on "Federal Government Efforts in Contracting
with Women-Owned Businesses" - March 21, 2007

Women-owned small businesses are an important part of the economy. They employ 7.1 million people, and their annual payroll is almost \$175 billion. These firms are driving future growth and job creation in our communities.

One of the best ways for these and other small businesses to grow is to have the federal government as a customer. The U.S. government is the biggest buyer in the world – with purchases of \$340 billion per year. It buys everything from aircraft to road construction to computer services.

Even with this large market at their disposal, businesses owned by women are still not getting their fair share of opportunities. In 2005, only 3.3 percent of federal contracts went to firms owned by women, the government's highest achievement to date.

In order to increase the likelihood that women-owned businesses would be able to participate in government contracts, Congress set a five percent goal in 1994, as part of the Federal Acquisition Streamlining Act (FASA). It quickly became apparent, however, that without a specific procurement mechanism for achieving that goal, real progress would be hard to achieve for women-owned businesses. Between 1994 and 2000, the federal government never came close to meeting this 5% goal.

To address this inequity, the Chairwoman of our Committee, the Hon. Nydia Velazquez, introduced the Equity in Contracting for Women Act, which Congress passed into law on December 21, 2000. This important act required the Small Business Administration to conduct a study to identify particular industries where small businesses owned and controlled by women were underrepresented in federal procurement contracting. It also required the SBA to establish procedures to verify eligibility to participate in the procurement program. More than six years have passed, and the SBA has not yet implemented the program. We are here today to ask, "Why?"

We are also here to talk about the impact of this failure on women-owned businesses in this country. Since the establishment of the 5% target, the number of women-owned businesses increased by nearly 20 percent. Today, they continue to represent one of the fastest growing segments of small businesses.

Unfortunately – despite their numbers, growth, and contributions to the economy – the five percent goal has yet to be accomplished. If the goal had been accomplished, women-owned firms would have received an additional \$5.2 billion in contracts in 2005 alone.

In the past five years, women would have received more than \$27 billion in additional government contracting opportunities. If these companies had this additional revenue, they would have created at least 750,000 jobs in communities throughout the country – shoring up local economies and improving people's lives.

Today's hearing will provide us with a forum to examine the obstacles that have prevented women-owned businesses from achieving the 5% goal and how the federal government can increase its contracts with women-owned small businesses. We'll also investigate whether there are any other actions this Committee and the Congress should take to reinforce the importance of including women-owned businesses in government work.

We've called upon four agencies to testify – the SBA, the Department of Energy, NASA, and the Department of Education. These four agencies, as buyers, represented \$36 billion in government contracting in FY 2005 – almost 12 percent of the federal marketplace. There are some common themes to their purchases from women-owned companies that we'd like to evaluate, and we'd like to hear about their use of these businesses in their respective agency's contracts.

The Subcommittee is concerned about the delays that have this program stuck in a peculiar regulatory limbo. More than a year ago – in November of 2005 – the U.S. District Court for the District of Columbia decided that the SBA had unreasonably delayed the implementation of the program in violation of the Administrative Procedures Act. And yet, here we are today, with the Women's Procurement Program still not up and running. We need to work together to correct these inequities and remove the obstacles to participation that currently exist.

In order to better understand the challenges that women-owned firms are facing today, our second panel will consist of women who own business from around the country. They exemplify the types of companies that federal agencies should be including in their contracts. I'm particularly pleased to welcome Ms. Karyl Smith, owner of Iowa Valley Appraisal, who is from my Congressional District in Iowa.

Women business owners are one of the fastest growing segments of the small business population and are expanding at twice the rate of other companies. Great strides have been made in the private sector to expand opportunities for women. It's time for the federal government to do its share.

With that, I recognize the Ranking Member, Mr. Davis, for his opening statement.

STATEMENT
of the
Honorable David Davis, Ranking Republican Member
Subcommittee on Contracting and Technology
Hearing on "Federal Government Efforts in Contracting with Women-Owned
Businesses"
March 21, 2007

Good Morning. I would like to thank Chairman Braley for holding this hearing. I am looking forward to working with you on this subcommittee. I appreciate the witnesses coming here to testify today in what promises to be an interesting hearing. I would especially like to welcome SBA Deputy Administrator Jovita Carranza, as I understand this is your first appearance before a Congressional hearing since your confirmation. I will keep my opening statement brief, so that we can get to our first panel.

I think everyone here can appreciate the vital role that small businesses play in this country. They are what drive the economy. Since its inception, the Small Business Administration (SBA) has been charged with, among other things, ensuring that small businesses receive a "fair proportion" of government contracts and sales. The SBA has done a lot of good work toward that end, but there is a lot more work to be done.

In 2000, the Congress passed and the President signed into law, legislation mandating that the SBA establish a program to increase Federal procurement contracts with women-owned small businesses, specifically in industries in which women are historically underrepresented. I was not here when that legislation was passed, but 7 years later, the program still has not been implemented.

According to the SBA, prime contracting dollars going to women-owned businesses increased from \$4.6 billion in FY2000 to \$10.5 billion in FY2005. While progress has been made toward having a minimum of 5% of Federal prime contract dollars go to women-owned small businesses, that goal has not been achieved. Based on the data I have seen, some departments do better than others.

I understand the challenges faced by SBA in establishing the areas in which women-owned businesses are underrepresented, but what I would like to better understand is what caused such significant delays in the evaluation of the initial study, the contracting for the second study, and publication of the rules. It is my belief that when a mandate is given to an agency by Congress, it is incumbent upon that agency to take all necessary steps as expeditiously as possible to implement that mandate. I look forward to hearing from the witnesses today.

Chairwoman Velázquez
STATEMENT
of the
Honorable Bruce Braley, Chairman
Subcommittee on Contracting and Technology
House Committee on Small Business
Hearing on Federal Government Efforts in Contracting with Women-Owned Businesses
March 21, 2006

Women-owned small businesses are an important part of the economy. They employ 7.1 million people, and their annual payroll is almost \$175 billion. These firms are driving future growth and job creation in our communities.

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In order to increase the likelihood that women-owned businesses would be able to participate in government contracts, Congress set a five percent goal in 1994, as part of the Federal Acquisition Streamlining Act (FASA). It quickly became apparent, however, that without a specific procurement mechanism for achieving that goal, real progress would be hard to achieve for women-owned businesses. Between 1994 and 2000, the federal government never came close to meeting this 5 percent goal.

To address this inequity, the Chairwoman of our Committee, the Hon. Nydia Velazquez, introduced the Equity in Contracting for Women Act, which Congress passed into law on December 21, 2000. This important act required the Small Business Administration to conduct a study to identify particular industries where small businesses owned and controlled by women were underrepresented in federal procurement contracting. It also required the SBA to establish procedures to verify eligibility to participate in the procurement program. More than six years have passed, and the SBA has not yet implemented the program. We are here today to ask, "Why?"

We are also here to talk about the impact of this failure on women-owned businesses in this country. Since the establishment of the 5 percent target, the number of women-owned businesses increased by nearly 20 percent. Today, they continue to represent one of the fastest growing segments of small businesses.

Unfortunately—despite their numbers, growth, and contributions to the economy—the five percent goal has yet to be accomplished. If the goal had been accomplished, women-owned firms would have received an additional \$5.2 billion in contracts in 2005 alone.

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**U.S. Small Business Administration
Testimony of
Deputy Administrator Jovita Carranza
before the
U.S. House of Representatives Small Business Committee
Regarding
Federal Government Efforts in Contracting with Women-Owned Businesses**

Thank you for inviting me to testify today on behalf of the U.S. Small Business Administration (SBA) regarding Federal Government Efforts in Contracting with Women-Owned Businesses. Federal contracts can be a significant source of revenue for small businesses and women-owned small businesses. SBA is working to ensure that small businesses and women-owned small businesses have a seat at the table when competing for Federal contracts.

In 1994, through the Federal Acquisition Streamlining Act (FASA), Congress established a statutory goal of not less than 5% of the total value of all Federal Government prime contract and subcontract awards for each fiscal year going to women-owned small businesses (WOSBs). Statistics do show that there has been growth in the area of contracting to women-owned businesses. Federal Prime Contract dollars going to WOSBs increased from \$4.6 billion in FY 2000, or 2.88%, to \$10.5 billion in FY 2005, or 3.342%. Subcontracting dollars have increased from \$3.6 billion in FY 2000 to over \$6 billion in FY 2003 based on the latest validated data available. Although we have seen an increase in the number of contracting dollars going to WOSBs, the Federal Government still has not reached the statutory goal. SBA's Office of Government Contracting and Business Development (GCBD) is working closely with Offices of Small Disadvantaged Business Utilization (OSDBUs) in the major Federal procuring agencies to promote the use of women-owned small businesses and encourage them to reach the 5% goal.

In addition to these efforts, SBA's GCBD office collaborated with SBA's National Women's Business Council to develop a website for women business owners at www.womenbiz.gov. This website contains in-depth information for women business owners that are interested in doing business with the government. It also provides over 100 links to current procurement information.

In December of 2000, Congress created the framework for a Women-Owned Small Business Federal Contracting Program. SBA has been, and remains committed to implementing the statutorily-mandated set-aside for women owned businesses, but doing so in a way that would be upheld by the courts as constitutionally valid.

Consistent with the requirement in the legislation for SBA to determine the utilization of WOSBs in the Federal Marketplace, SBA itself conducted a study to establish the findings. Once completed, an independent panel of experts at the National Academy of Sciences (NAS) reviewed the study to assess the sufficiency and validity of SBA's

methodology. Ultimately, the NAS panel concluded that the original SBA study was flawed. The NAS recommended a sound methodology for performing a study that would more effectively withstand legal scrutiny.

While SBA was moving forward in its efforts to conduct a valid and constitutionally sound study, the U.S. Women's Chamber of Commerce brought suit against SBA to expedite implementation of the Women's Procurement Program. The U.S. District Court for the District of Columbia is currently monitoring SBA's progress.

On February 21, 2006, SBA awarded a contract to the Rand Corporation and it commenced work to study all industry groups to determine those industries in which women are underrepresented and substantially underrepresented in accordance with the methodology recommended by the NAS. Although there were some unavoidable delays, the disparity study is now in the final stages of clearance and should be published sometime in April.

I speak on behalf of the Agency and on behalf of Administrator Preston when I say that SBA is focused on this issue and ensuring the implementation of the program.

Thank you for the opportunity to testify today. I look forward to any questions that you may have.

Statement by

Dr. Francis C. Spampinato, Jr.
Chief Acquisition Officer

Before the

Subcommittee on Contracting and Technology
Committee on Small Business
United States House of Representatives

March 21, 2007

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss the Department of Energy's (DOE) use of women-owned small businesses in DOE contracts.

On behalf of the Department of Energy, I would like to say how pleased we are to have this opportunity to report on the work of the Department in promoting the growth and development of women-owned small business concerns.

Let me begin by indicating that DOE has established increasing contracting opportunities for women-owned small businesses as an objective in its FY 2007 Strategic Plan For Small Business. As such, we've established agency strategies, prime and subcontracting objectives, and education, training, and outreach objectives for DOE's Women-Owned Small Business Program. Before addressing these strategies, I would like to discuss DOE's business/procurement model, which will demonstrate the nature of DOE's procurements, and the level at which DOE's small business prime and subcontracting goals are established.

DOE's business or procurement model includes two distinct types of contracts: (1) Facilities Management Contracts (FMCs), and (2) non-FMCs. The Facilities

Management Contracts are the primary procurement vehicles utilized at DOE for the operations of its network of government-owned contractor-operated laboratories and other facilities. FMCs include management and operating (M&O) contracts, management and integration contracts, and environmental restoration management contracts, and are generally awarded to large businesses, educational institutions, and non-profit organizations. Through the FMC model, DOE directs the mission-related areas and the overall performance objectives that DOE wants accomplished, while allowing the FMC to oversee the myriad of support services associated with the operation of the facility. FMCs range from the hundred millions of dollars to the billions and are complex and generally contain periods of performance of five or more years.

FMCs have historically represented from 85 to 90 percent of the Department's procurement dollars. For example, in FY 2006 FMC contracts represented 84.4 percent of the DOE procurement base. The remaining non-FMC dollars, or 15.6 percent of the procurement base, were used to fund a wide range of prime contracts with both small and large businesses. Of the non-FMC dollars (\$3.4 billion) available for direct contracting to large and small businesses, DOE awarded \$160.1 million, or 4.68 percent, to women-owned small businesses. DOE is committed to considering all new contracts not designated for M&O contracts for small business set-asides. We also require a comprehensive business review for all FMC contracts when they are due for renewal.

As directed by statute, DOE establishes its prime contracting goals annually. The small business goal for FY 2006 was established at \$828.7 million, or 4.3% of an estimated procurement base of \$19.1 billion; and the women-owned small business goal,

which is a portion of that goal, was established at \$65.1 million. The Department exceeded its women-owned small business goal by achieving \$160.1 million.

In subcontracting, DOE established a women-owned small business goal of 5.8 percent, or \$608.8 million, which was applicable to all FMCs. Because of DOE's business model, the greater potential for gains in small business awards, and women-owned small business awards, rests with the FMCs.

DOE has achieved considerable growth in subcontracts awarded to women-owned small businesses. From the period FY 2000 through FY 2005, the latest fiscal year for which data is available, subcontracts to women-owned small businesses grew from \$495.7 million to \$668.4 million, a 35% increase.

Women-owned small business concerns are a key focus in all of DOE's efforts to improve contracting and subcontracting opportunities for small businesses. There are separate goals established for women-owned small business concerns. We also participate in outreach activities designed by and conducted specifically for women-owned small businesses. Forty-one percent of the protégés mentored by DOE prime contractors in its Mentor-Protégé Program are women-owned small business concerns; women-owned small business concerns serve on DOE's Small Business Advisory Team; and DOE designates an annual Secretarial Award for offices and facilities that achieve outstanding performance in contracting and subcontracting to women-owned small businesses. In past years, several facilities have won the Small Business Administration's (SBA) "Frances Perkins Vanguard Award" for outstanding achievement in contracting with women-owned small businesses. This year, DOE's UT-Batelle, LLC,

manager for the Oak Ridge National Laboratory, won the SBA award for its performance in contracting with women-owned small business concerns.

In DOE's FY 2007 Strategic Plan For Small Business, DOE has established and continues to focus on strategies specifically designed for women-owned small businesses.

These strategies include:

- Development of policy to encourage prime and subcontracting with women-owned small businesses;
- Expansion of the current Office of Small and Disadvantaged Business Utilization (OSDBU) database to identify additional women-owned small businesses for use by program offices, procurement offices, and prime contractors; and
- Inclusion of women-owned small businesses as components in the annual DOE Small Business Conference, which by the way, will be held in Washington, DC this summer.

In addition to the strategies above, DOE has specific prime and subcontracting objectives for women-owned small businesses such as to:

- Incorporate achievements of women-owned small business goals as a performance element in the annual evaluation plan of the officials in the acquisition process;
- Include a prime contractor's past performance in contracting with women-owned small businesses as an evaluation factor in solicitations;
- Encourage FMCs to provide evaluation criterion that reflect a

preference in the award of subcontracts to women-owned small businesses; and

- Incentivize Mentor-Protégé relationships with women-owned small businesses.

In addition, DOE holds monthly “Advanced Planning Acquisition Team” (APAT) meetings to review the Department’s major acquisitions for the purpose of maximizing the utilization of small businesses, including women-owned small businesses. DOE has provided guidance to its technical and contracting personnel by codifying its guidelines on contracting with women-owned small businesses in the Department of Energy Acquisition Regulation (DEAR).

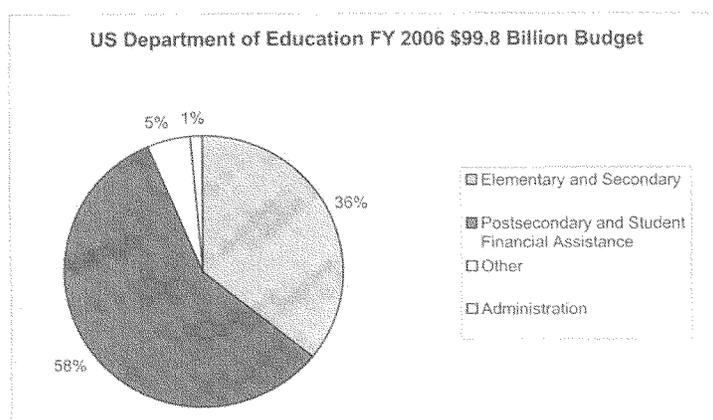
In summary, let me assure you that DOE recognizes the important role that women-owned small businesses play in our national and local economies and we will continue to support and promote opportunities for women-owned small businesses to assist them in becoming viable and dynamic business entities. DOE will continue to advocate for a strong Federal program for women-owned small businesses in prime contracting, subcontracting, and inclusion in financial assistance opportunities. We are truly encouraged by the Committee’s request to learn what efforts agencies are expending on behalf of these concerns. As you will note by the numerous programs, activities, and strategies outlined in this statement, DOE has established women-owned small business contracting as a priority within the Department.

Thank you for the opportunity to appear before this Committee. That concludes my prepared remarks. I would be pleased to answer any questions you may have.

Testimony of Larry Warder
Chief Financial Officer, U.S. Department of Education
before the
The House Small Business Committee Subcommittee on Contracting and
Technology
Federal Government Efforts in Contracting with Women-Owned Businesses
U. S. House of Representatives
March 21, 2007

Mr. Chairman and Members of the Committee:

I would like to thank you for the opportunity to discuss with you the Department's efforts in contracting with woman-owned businesses. The Department is a very large organization in terms of its annual expenditure level of nearly \$100 billion.



In 2006, postsecondary grants and federal student aid administration accounted for 58 percent of our FY 2006 budget expenditures. These included loan programs that helped more than 10 million students and their parents to better afford higher education. Another 36 percent of expenditures supported elementary and secondary education grant programs. An additional 5 percent went toward other programs and grants encompassing research, development, and information dissemination, as well as rehabilitation services. Administrative expenditures are less than 2 percent of the Department's appropriations.

The data demonstrate that while we are a large Department in terms of dollar expenditures, almost our entire budget directly benefits and goes to school systems or students. In order to administer this large flow of funds we manage large and complex technology systems that include grant accounting, grant fund disbursement, loan accounting, general ledger and other financial systems. Much of the technical support for our technology systems is outsourced.

While the Department is large in dollar terms, it is relatively small in terms of its 4,200 employees. The Department depends greatly on contractor resources to assist a relatively small

internal workforce in fulfilling both our mission and taxpayers' expectations. This includes the use of small and large businesses owned by women.

We spend approximately 2% (\$1.4 billion in FY 2006) of our discretionary budget on contractor resources that support the provision of technical assistance to state and local educational agencies and other grantees, the dissemination of educational research information, the evaluation of education programs, the gathering and distribution of education statistics, and providing federal student financial assistance for higher education. Often, a contractor is performing a significant portion of work with Department employees providing management, oversight, and technical direction.

We recognize our ongoing challenges in prime contracting with women-owned small businesses based on an increased emphasis on identifying specific small business categories during the market research phase of our procurements. The majority of the Department's contract expenditures are directly attributable to the sizeable Federal Student Aid line of business, which includes the processing of millions of applications for federal student aid to attend institutions of higher education and the servicing of student loan programs. Most of this work requires large businesses with extensive human capital and technology resources. The qualified vendors are large national or international organizations, most of which are publicly owned. The next largest expenditure area comprises the Department's statistical, evaluation and assessment line of business where large businesses again provide the necessary human capital and technology to support larger surveys and evaluations. These two areas account for more than two-thirds of the Department's annual contract expenditures.

Over the last two fiscal years, the Department has made more opportunities available for small businesses by doubling the dollar amount of contracts awarded to small businesses. For example, in our large system integration efforts we will contract the Independent Verification and Validation effort to small contractors. Many have the qualifications to do this effort without the requirement to field a large, diverse team. In FY 2005, the Department increased new prime contract awards to small businesses by \$38 million or 43% over the previous year; in FY 2006, this amount increased by an additional \$52 million or 44%.

Increased emphasis on small business contracting across all Department offices and programs enabled these improvements. In areas where large businesses perform a significant portion of contract work, requirements have been reviewed in order to restructure portions of the work for the benefit of small businesses. For example in FY 2006 we realized a 64% increase small business spend in telecom and maintenance, 41% in networking equipment, 23% in office supplies, 9% in HR and Benefits support services, 5% in commercial services, 3% in temporary and professional services, and 2% in office equipment. Extensive expenditure reviews undertaken as part of our strategic sourcing efforts included the review of small business contract expenditures to identify additional opportunities where the small businesses could improve service and reduce costs. We estimate a potential increase in dollars awarded to small businesses to be 50% in the next year to 18 months.

Contracting with woman-owned businesses also reflects our increased emphasis outside the large business sector. In FY 2006, 4.1% of the Department's contract expenditures were attributable to the work of small woman-owned businesses, an increase of \$22 million over FY 2005. The Department is on track to meet or exceed FY 2006 totals to these businesses in FY 2007.

The data shown below account for the direct contracting with the firms. It does not reflect the volume of subcontracting done as a part of a larger contract with another entity.

**ED Contracting with Woman-Owned Businesses
Fiscal Year 2005 - 2007**

Woman-Owned Small Business Activity							
FY	Total Actions	Total Obligations ¹ Dollars (000)	Goal ²	Actions	% of Total Actions	Dollars (000)	% of Total ³
2005	3241	1,187,038	5.00%	327	10.09%	33,422	2.82%
2006	4468	1,413,461	5.00%	659	14.75%	57,917	4.10%
2007 ⁴	866	395,254	5.00%	89	10.28%	37,213	9.42%

Total Woman-Owned Activity (Large and Small Businesses)							
FY	Total Actions	Total Obligations ¹ Dollars (000)	Goal ²	Actions	% of Total Actions	Dollars (000)	% of Total ³
2005	3241	1,187,038	N/A	394	12.16%	55,095	4.64%
2006	4468	1,413,461	N/A	721	16.14%	70,056	4.96%
2007 ⁴	866	395,254	N/A	107	12.36%	38,513	9.74%

Notes:

- 1 - Total Obligations includes all funding awards for the entire fiscal year, less deobligations
- 2 - ED-specific goal for contracting with SBA, made in accordance with SBA guidelines
- 3 - % of Total Obligations for the Fiscal Year
- 4 - FY 2007 through March 19, 2007

WOSB Performance by Lines of Business

- 1 - Loans: Highest dollars went to loan servicing firms
- 2 - Grants: Significant number of awards to logistics support contractors
- 3 - IT support across a number of LOBs

In addition, based on small business subcontracting reports received, the Department's large business contractors subcontracted approximately \$30 million in FY 2006 to woman-owned small businesses.

The Department fully expects to continue the momentum of its efforts to increase the utilization of small and small disadvantaged businesses including woman-owned businesses this fiscal year and the future.

ATTACHMENT A

Category	Actions	FY 2005 Achievement		Goal
		FY 05 Dollars (000)	Percent of Total FY 05 Dollars	
Total All Awards	3241	1,187,038		N/A
Total Small Business	1730	121,385	10.23%	23.00%
Total Small Disadvantaged	253	40,383	3.40%	N/A
8a SDB	61	14,342	1.21%	4.00%
Women-owned SB	327	33,422	2.82%	5.00%
Service-Disabled, Veteran-Owned SB	37	798	0.07%	3.00%
Total Veteran-Owned SB ¹	141	9,694	0.82%	N/A
HubZone	37	3,186	0.27%	3.00%

Category	Actions	FY 2006 Achievement		Goal
		FY 06 Dollars (000)	Percent of Total FY 06 Dollars	
Total All Awards	4466	1,413,461		N/A
Total Small Business	2548	172,150	12.18%	23.00%
Total Small Disadvantaged	310	56,438	3.99%	N/A
8a SDB	73	18,522	1.31%	4.00%
Women-owned SB	659	57,917	4.10%	5.00%
Service-Disabled, Veteran-Owned SB	48	1,751	0.12%	3.00%
Total Veteran-Owned SB ¹	154	10,245	0.72%	N/A
HubZone	47	4,886	0.35%	3.00%

Category	Actions	FY 2007 Achievement		Goal
		FY 07 Dollars (000)	Percent of Total FY 07 Dollars	
Total All Awards	866	395,254		N/A
Total Small Business	355	74,780	18.92%	23.00%
Total Small Disadvantaged	70	20,640	5.22%	N/A
8a SDB	14	4,977	1.26%	4.00%
Women-owned SB	89	37,213	9.41%	5.00%
Service-Disabled, Veteran-Owned SB	4	1,879	0.48%	3.00%
Total Veteran-Owned SB ¹	33	4,181	1.06%	N/A
HubZone	11	490	0.12%	3.00%



National Aeronautics and
Space Administration

Hold for Release Until
Presented by Witness

March 21, 2007

Subcommittee on Contracting and Technology

Committee on Small Business

U.S. House of Representatives

Statement by:
Thomas S. Luedtke
Assistant Administrator for Procurement

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**Statement of
Thomas S. Luedtke
Assistant Administrator for Procurement
National Aeronautics and Space Administration**

before the

**Committee on Small Business
Subcommittee on Contracting and Technology
U.S. House of Representatives**

Thank you for the opportunity to testify before the Subcommittee concerning the participation of women-owned small businesses in NASA contract opportunities.

Consistent with NASA policies supporting other small business programs, the Agency is committed to providing women-owned small businesses with the maximum opportunity to participate in acquisitions at the prime contract level. Additionally, the participation of NASA prime contractors in providing subcontracting opportunities to women-owned businesses is an essential part of the Agency's commitment to increasing the participation of women-owned business in NASA contracts. Additionally, it is important to note that the participation of women-owned businesses includes particular emphasis in high-technology areas.

Pursuant to section 15(g) of the Small Business Act (15 U.S.C. 644), NASA annually negotiates Agency women-owned small business prime and subcontracting goals with the Small Business Administration. In implementing our women-owned business program, the NASA Office of Procurement works closely with the NASA Office of Small Business Programs, which has official responsibility for ensuring the effectiveness of the Agency's small business programs. In addition, at each of the NASA's 10 field Centers, the Agency has designated Small Business Specialists who provide a central point of contact to women-owned and other small businesses in identifying specific contracting opportunities at their respective Center. Since the issuance of Executive Order 13167, in May 2000, the efforts of our NASA field Centers have resulted in an increase in women-owned business participation in NASA programs. In FY 2005, NASA expended approximately \$263 million in direct awards to women-owned small businesses, and another \$516 million in women-owned small business awards were made by NASA's prime contractors. Preliminary results for FY 2006 show that NASA expended approximately \$280 million in direct awards to women-owned small businesses, and another \$573 million in women-owned small business awards were made by NASA's prime contractors.

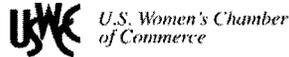
As stated previously, NASA places particular emphasis on ensuring that women-owned and other small businesses have the opportunity to compete for the high-technology opportunities that encompass a large part of our Agency procurement actions. In this regard, our Center Small Business Specialists work in cooperation with Contracting Officers and technical personnel to seek and develop information on technical competence of women-owned small businesses for research and development contracts, and to

ensure that this information is available to the acquisition community during the acquisition planning process. More detailed information concerning NASA's small business policy and practices may be found in Title 14 CFR, Subpart 1204.4

Specific examples of the achievements of women-owned small businesses in supporting NASA programs highlight their success in this area. At NASA's Langley Research Center (LaRC), Science Systems and Applications, Inc., a woman-owned small business, was recently awarded the Center's Science, Technology & Research Support Services (STARSS) contract. This contract, valued at \$140 million over 5 years, will provide support to the LaRC's atmospheric analytical studies, operational data processing and archiving; instrumentation development; field studies; administrative and logistical support and documentation. Hernandez Engineering, a women-owned business, has been selected by NASA's Marshall Space Flight Center to provide safety and mission assurance support, a contract valued at approximately \$370 million over 5 years. And, Analytical Services, Inc, a woman-owned small business and SBA's Region 3 2006 National Contractor of the Year, provides engineering and technical support to NASA's Dryden Flight Research Center, with a contract valued at approximately \$51 million over 5 years. Finally, women-owned small businesses such as Bay Systems of Oakland, CA, AMTI, of Rosslyn, VA, and Hernandez Engineering of Houston, Texas, were also instrumental in NASA's Return to Flight efforts.

NASA believes that these examples represent the types of expertise that women-owned businesses can provide in the support of the Nation's space program. NASA will continue to seek ways to provide opportunities for women-owned small business, including the consideration of additional tools that may assist the Agency in meeting our women-owned small business goals.

Again, thank you for the opportunity to appear before the Subcommittee today. I would be pleased to respond to any questions that you may have.



Testimony
of
Margot Dorfman
Before the House Small Business Committee
Subcommittee on Contracting and Technology
Hearing on the Failure of the Federal Government to
Meet Women-Owned Small Business Contracting Goals
March 21, 2007

Chairman Braley, Ranking Member Davis, and members of the Subcommittee on Contracting and Technology, my name is Margot Dorfman and I am the CEO of the U.S. Women's Chamber of Commerce (USWCC). I am here today on behalf of the millions of American women business owners to draw the line in the sand and say enough.

It has been more than a decade since Congress established a five percent goal for contracting with women. This goal was set because in 1994 Congress recognized there was a disparity between the number and capability of women-owned firms and their commensurate access to government contracts. In all this time, the federal government has NEVER met the paltry five-percent goal. This inexcusable shortfall remains in spite of the incredible surge in the number and capability of women-owned firms over the last ten years.

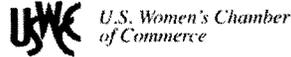
Let me briefly review the timeline as it applies to women-owned small businesses and federal contracting:

[1994] The Federal Acquisition Streamlining Act of 1994 (FASA) set an overall goal of 5% for women-owned businesses. The Act did not, however, establish a specific procurement mechanism for accomplishing that goal. And between 1994 and 2000, the federal government never even came close to meeting this 5% goal.

[2000] To address the ongoing shortfall of contracts with women-owned firms, Congress passed the Equity in Contracting for Women Act of 2000 on December 21, 2000. This Act was to give agencies the ability to limit certain competitions to women-owned small businesses. It required the Small Business Administration (SBA) to (1) "conduct a study to identify industries in which small business concerns owned and controlled by women are underrepresented with respect to Federal procurement contracting" and (2) establish procedures to verify eligibility to participate in the procurement program. To date, the SBA has not implemented this program.

[2004] On October 29, 2004, the U.S. Women's Chamber of Commerce, in support of its 500,000 members, brought suit against the SBA for its failure to conduct the study of underrepresented industries and publish the regulations necessary to implement the women's program.

[2005] The SBA filed a Motion to Dismiss which was denied by the court (on December 8, 2005) and who further noted that the SBA "...had sabotaged, whether intentional or



not, the implementation of a procurement program..." and concluded that "a deadline is in order".

[2006] On March 6, 2006, the SBA notified the court that it would complete the disparity study within 9 months or by November 21, 2006. No study has been produced to date. The federal government still has not reached the paltry 5% goal for contracting with women. Instead, contracting with women-owned small businesses hovers around 3%. This contracting shortfall costs women-owned small businesses over five billion dollars every single year.

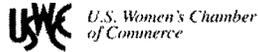
[2007] The USWCC petitioned the court on February 9, 2007 for a Status Report and that the SBA report on its progress every 45 days.

The result of this travesty is that a culture of failure has taken hold. Year in and year out the SBA sets goals with agencies – knowing that certain agencies will not meet their goals. Year in and year out the SBA claims they are going to implement the six year old Women's Federal Procurement Program - but they don't. The SBA has failed to step up to serve their true role on behalf of women-owned small businesses.

We are here today to call for an end to the culture of failure that has become pervasive at the SBA and all the federal agencies that are not meeting their goals. Implement P.L. 106-554 the Women's Federal Procurement Program. Stop blindly setting goals that are never met. Agency acquisition leaders commit to meeting your goals and leverage acquisition strategies that will achieve the congressional mandated minimum of 5% contracting with women-owned firms. Many, many agencies have proven that they can meet and exceed the five-percent goal. It is time for the culture of failure to end and for our federal government to open its doors to the dynamic women-owned small business marketplace.

We are tired of waiting - and we will not let this issue rest. Women owned small businesses lose over five billion dollars annually. We are tax payers, we are voters, we are community and family leaders. I ask our representatives in Congress to step up for us. I ask the federal acquisition leaders to act now to advance opportunities for women-owned firms. And I ask the SBA to end their culture of failure and finally step up to leadership on behalf of women-owned small businesses.

Thank you.



House Committee on Small Business

Hearing on Federal Government Efforts in Contracting with Women-Owned Businesses

March 21, 2007

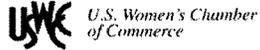
Statement by Ms. Christina Lomasney

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you this morning. My name is Christina Lomasney, I am CEO of Isotron Corporation and Modumetal, Inc. – both Seattle-based, woman-owned and operated small businesses. I am a Physicist by education and an entrepreneur in practice.

Modumetal and Isotron exist today due to the contributions of highly trained, technical individuals, the vast majority of whom have advanced degrees in science and engineering. Thirty percent of my technical teams are women. Isotron has been in business for over six years, and Modumetal was incorporated just last year. Isotron and Modumetal deal in very advanced fields of material science and engineering that involve applications of nanotechnology to polymer composites and metal alloys respectively. Isotron is a self-funded company. Current and past clients include the Department of Defense, the Department of Homeland Security, the Environmental Protection Agency, the Department of Energy and commercial partners such as General Dynamics and Washington Group International. Modumetal is funded primarily by angel and venture investments and was awarded its first Department of Defense contract as of this month. We count the Ford Motor Company among our commercial partners.

This morning I have been asked to address concerns related to The Women's Federal Procurement Program, and specifically, The Equity in Contracting for Women Act of 2000.

Let me first state that I have been the grateful beneficiary of the support of the federal government and American taxpayers for a great deal of the advanced research and



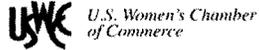
development carried out at Isotron and Modumetal. I am always mindful of the tremendous responsibility that I have to be a wise steward of the resources that have been entrusted to us to develop cutting edge technologies that are intended to serve this nation in both a public and private sector application.

Furthermore, as the proud sister of 3 Marines – one of whom is currently active duty, stationed in Iraq – I believe the core mission of both Isotron and Modumetal is to identify creative technologies to enhance the personal safety, protection and success of our nation's citizens and the men and women who defend our freedom in the field.

The technologies developed by my firms have direct application to the protection of our warfighters and to the protection of our nation's critical infrastructure and environment. It is for this reason, and many others, that my frustration with the shortcomings of certain federal contracting programs brings me here today.

I wish to provide a specific example of a situation which has caused frustration to our progress, but, more importantly, I want to offer one person's point of view on how we can make the Women's Federal Procurement Program more successful in the future.

In 2003, Isotron was funded to prove the feasibility of an advanced, removable vehicle coating for the US Marine Corps. Despite letters of support provided directly from the Marine Corps recommending a Phase II effort to advance the demonstrated system, Isotron was not supported in the Phase II effort - at the very stage where the technology would have transitioned into a product. Isotron did not give up in the face of this obstacle however. We understood the field requirements, we had the encouragement of the Marine Corps, and we – together with our partners -- continue to seek field deployment of this technology to the benefit of our warfighters. We have, over the past three years, worked directly with General Dynamics, a major military vehicle manufacturer, on requirements definition and testing. Without their in-kind support, this program may have languished.



After several years of working to communicate the vision for this product, the Joint Services Chemical and Biological Defense Program has stepped up to put their full support behind this effort. It is my hope that we will provide a product to field within the next two years that will measurably improve the survivability of our men and women in the field. There will be a "happy ending" to this story. The frustration, and indeed the tragedy, is that, in a more efficient market, we might have delivered this critical product to the field three years ago. Unfortunately, my story is not unique.

As part of my testimony this morning, I believe it is incumbent upon me to do more than just offer my concerns about what hasn't worked in the context of the Women's Federal Procurement Program.

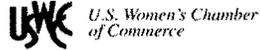
Given that the facts bear out that the federal government has not met its self-imposed 5% Women's Federal Procurement Program goal, and that over the last five years alone, women have lost \$25 billion dollars in contracting opportunities, I expect that it is time that we had a frank talk about changing – or enhancing - the status quo.

Federally funded research and development is unquestionably, very effective at developing high risk technologies to serve the public, that the market would not have otherwise be able to pursue.

It is however, my humble opinion, that federally funded transition of that research into products is horribly inefficient. This reality has become so common; it has its own name: **"The Valley of Death"**.

It is time that these inefficiencies are directly addressed. I hope to use my time here to offer some thoughts on what might work.

We have an opportunity today to try a new approach – which complements the old -- that will provide woman owned businesses an opportunity to compete in specific industry areas in which we have been historically underrepresented. We have an opportunity to try



something new that will help women owned small businesses to lead the charge in crossing the **Valley of Death**.

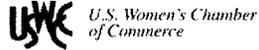
Federal funding of high-risk research and development is not only effective, it is essential, and meeting the woman owned small business goals for these procurements is a matter of law which should and must be enforced. The Women's Federal Procurement Program is meant to assist us in expanding our businesses and by not enforcing this law you do an injustice to women who seek to innovate, to grow economies and to cultivate a workforce in this country through the entrepreneurial spirit.

My interests – and I believe the interests of a vast majority of woman owned businesses – is to create a dynamic market in which the investment in our expertise, our creativity and our technology creates more investment because of the power of our business model.

As a woman owned small business owner and operator, the opportunity to forge a partnership with a major corporation or customer to bring product to market is often a missing piece of my economic puzzle.

The federal government can help complete the puzzle by developing or expanding programs, such as the Mentor/Protégé Program or focused tax credits, in which large commercial corporations receive significant incentive to invest in women owned small businesses – as incubators of growth, as employers of skilled innovators and as developers of new products. Such an approach will create new markets and new opportunities not only for innovative, small businesses like mine, but also for the major corporations that invest in our potential and for the market that we serve.

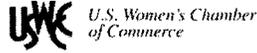
Additionally, if such mentor/protégé programs were expanded, we may have created the bridge across the **Valley of Death** that any small business can safely and successfully cross.



The current procurement program was intended to provide woman owned businesses an opportunity to compete in specific industry areas in which we are historically underrepresented.

The proposed approach continues that same basic philosophy by targeting those industry areas, such as, science, engineering and other advanced research and development fields; and, takes this philosophy one step further, to establish a competitive field of women-owned businesses addressing the national challenge of transitioning advanced research technologies into fieldable products.

In conclusion, I hope my testimony today is of some value and benefit to this subcommittee. As I indicated in the beginning of my remarks, I'm grateful for the opportunity to be the beneficiary of the trust of the federal government and the taxpayers who support programs that serve to incentivize innovation. But, let us not stop there; let's not see more technologies and companies flounder in the **Valley of Death**. Let us bridge this valley, and in our execution, let us realize the objective of a marketplace where women and minority-owned businesses will play a competitive role with their technological rivals – to the benefit of the military, energy, education and other federal and commercial customers that we serve.



House Committee on Small Business

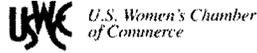
Hearing on Federal Government Efforts in Contracting with Women-Owned Businesses

March 21, 2007

Statement by Ms. Karyl L. Smith

Good morning Ladies and Gentlemen. My name is Karyl Link Smith and I hold a license as a certified general real estate appraiser for the state of Iowa and I am the owner of Iowa Valley Appraisal located in Waverly, Iowa. I am honored to appear before you today to offer an insight into my profession, to address the concerns regarding the delay of the implementation of the Women's Federal Procurement Program, and to ask for your help to intercede on behalf of women-owned small businesses like mine, and hold those government agencies and individuals accountable for their failure in implementing this program in a timely manner. I would also like to offer suggestions that I feel would enable other women-owned small businesses the opportunity to participate in this program.

As a certified general real estate appraiser I presently contract with the USDA and provide appraisals on single and multi-family homes. For several years I was not aware that the USDA hired or contracted privately with real estate appraisers. Then while attending a continuing education seminar, a woman from the USDA office in Des Moines, Iowa stood and asked if anyone was interested in appraising for the USDA. She handed out her business cards, told the attendees to reply by email, provide her with the required information and we would be placed on the list or roster of eligible appraisers. Now I must annually register on the CCR (Central Contractors Registration) in order to be eligible to receive contracts from the USDA. How the USDA utilizes this system is very simplistic. Once registered in a county the appraiser's name is placed on a list and each appraiser is given a turn/or contract. It is a simple repeating process. The simplicity of this system does not acknowledge women-owned small businesses nor does it track the percentage of contracts awarded to them. Let me repeat, this system my business is currently registered

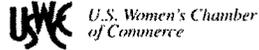


in with the USDA does not acknowledge women-owned small businesses nor does it track the percentage of contracts awarded to them.

The USDA is the only agency that I presently contract with. My concern in regards to my profession is how many governmental agencies have needed or required the services of real estate appraisers in the past, present or future that I am not aware of?

With the devastation that Hurricane Katrina left on our south and southeastern coastal areas, I am sure that there are numerous agencies of government – perhaps FEMA, Homeland Security and HUD - who could have and may even still need, appraisal services, but there is no centralized system or depository for businesses, such as mine, to bid or access this information. Without an outreach system or depository in place there is a significant amount of research and time required in order to locate buyers or users of any product or service, monitor any bids that they submit, accumulate all the associated data relevant or required in order to bid, then prepare and submit the bid. With all service businesses, time is money. The tremendous amount of time involved would take resources that many small businesses simply do not have. I know I do not have the time to do extended searches, continue my education, run a small business and maintain a home.

According to the US Women's Chamber of Commerce, women-owned small businesses have annually lost five billion dollars worth of contracting opportunities. Over these past six years this amount totals a staggering thirty billion dollars. Without the implementation of the Women's Federal Procurement Program this amount continues to grow. We need to ask ourselves how many women-owned small businesses have shut their doors and folded when they could have been awarded a small piece of this thirty billion dollar pie? We need to ask ourselves, how many women-owned small businesses – and specifically real estate appraisers– could assist in the timely re-building of our Gulf coast if we had been solicited through the Women's Federal Procurement Program? And, how much of that "lost" \$5 billion could have been injected to a small business like mine?

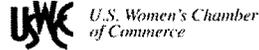


In my profession I am required to follow the laws and procedures established by the Appraisal Standards Board and the Iowa Professional Licensing Division. If I fail in following this set of procedures and laws I would be disciplined. This discipline could possibly include the loss of my license. Why isn't the federal government held to the same standards it expects its citizens to abide to?

Why is it that six years after the Equity in Contracting for Women Act of 2000, which passed on December 21, 2000, is still not implemented? This act required the Small Business Administration to do two things. The first is to conduct a study to identify industries in which small business concerns owned and controlled by women are underrepresented with respect to Federal procurement contracting. My industry, made up of approximately 90% male-dominated owners, is certainly one of those "under-represented" occupations for women business owners. The second task assigned in the Equity Act was to establish procedures to verify eligibility to participate in the procurement program. I appear before you today as a woman-owned small business owner eager to participate in this program, if only given the opportunity to apply to a still unestablished procedure.

Is it not one of the SBA's main purposes or jobs to aid and assist small businesses? Why then would it not be a priority for them to get this program up and running? What was so difficult in this task that it would take six years and counting to complete? Who is being held accountable for this delay?

My suggestions for taking this negative and turning into a positive include making the SBA develop strategies that would assist women-owned small business in acquiring governmental contracts. Also that these strategies be placed on a time line and if or when they have failed in being implemented that someone is held accountable. The private sector uses these strategies all the time...why can't the public sector?



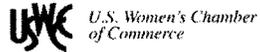
Another suggestion that could greatly impact all business owners would be a centralized system or depository for governmental contracts. This system would allow both users and providers of products and services easy access to information including a listing of eligible women-owned small businesses. It would also include a publicized listing of who and where contracts are awarded, by what agencies and the monetary amount of the contract.

The system then would be able to track the percentages of contracts awarded to designated women-owned small businesses. If there is a similar system in place, it sure is not easily accessible or public knowledge.

Other suggestions would be that agencies that use certain services make themselves known by registering with the state licensing divisions of that professional service. Yet another idea would be that when a business does register with the CCR that they are immediately be notified of which agencies within the government have issued governmental contracts or utilized their type of product or service. The notification would include contacts and access information. Again, a simple outreach program to recruit women-owned small businesses would be easy to implement and remove some of the onerous research currently required.

Lastly, the number of women-owned business continues to grow daily...this is a good thing. However, the revenue generated by us pales by comparison. With the assistance of the Women's Federal Procurement Program we could add to the vital economy of this country, bring additional dollars to our community and insure our families live the American dream.

Thank you for this opportunity to be here today and be a voice for women-owned small businesses.



House Committee on Small Business

Hearing on Federal Government Efforts in Contracting with Women-Owned Businesses

March 21, 2007

Statement by CCS Holdings, LP

Good morning. My name is Sheryl Mendenhall-Roberts and I am a founding principal and the Chief Executive Officer of CCS Holdings, LP of Irving, Texas, a woman-owned small business. Please accept my appreciation for permitting CCS to offer information and requests before this distinguished committee.

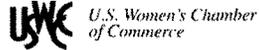
Who is CCS?

CCS companies have been in business for ten years. Our companies are Third Party Administrators, providing workers' compensation claims and risk management services to the government and the private sector. We provide unique expertise with the Federal Employees Compensation Act (FECA) and have years of experience working with the U.S. Department of Labor. Our FECA program allows us to represent the Agency, to support the injured employee through the claims process and to provide information to the Department of Labor to facilitate a satisfactory resolution of the claim as soon as medically possible.

Why Concerned?

In its 2005 annual report to Congress, the U.S. Department of Labor/ OWCP indicated an annual benefit charge back to federal agencies in excess of two billion dollars and administrative expenses at nearly one hundred forty million dollars. Adverse trends identified by OWCP were:

- ▶ a 6% increase in the number of workers' compensation claims reported from the previous year
- ▶ a 30% increase in wage-loss (serious) injuries reported since FY 2000



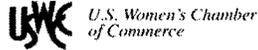
- ▶ a 22% increase in total disability days during the continuation of pay period

The report also states that the DoL projects a gross liability for the Federal government for future FECA benefits at \$26 billion. As we specialize in the analysis and administration of workers' compensation, such expenditures and trends are alarming to us. We believe our track record shows that our services reduce these costs and trends, but have found it challenging to tell our story.

How are our efforts frustrated?

Since 1998 we have knocked on the doors or submitted unsolicited proposals to approximately 25 different Agencies or Departments but our success ratio is small. After obtaining our GSA Schedule, we were excited that GSA (FSS) contracted with us. The GSA (FSS) contract, over a period of five years, produced conservative savings of \$13 million. Our fee was only \$150,000, producing an ROI of \$86.66 for every \$1.00 paid in fees. Despite the savings, the contract ended when the GSA took the program back in house. There has been no additional contract award since.

Another example: We were awarded a federal contract in 2001 for FECA administration. We were told by the Department of Commerce that their internal departmental costs were reduced by more than 50%. Due to the success of the contract, the Department of Commerce gave us 29 of their most difficult cases in a pilot project. The project produced savings of more than \$35 million. The original contract was amended the following year to include 75 similar claims annually for a fee of \$49,999.00. In spite of savings averaging \$1,206,896.00 per file in future liabilities, the Department of Commerce could not get the funds appropriated to outsource additional cases and the following year the amendment was terminated. Fortunately, the Department of Commerce has maintained its contract for new claims and will continue to see a suppression in future liabilities on these claims. Considering our successes, however, the lack of contracts is not only frustrating to us as a small woman-owned business, but also as taxpayers. Taxpayers are paying - unnecessarily - for claims that could be negotiated or eliminated by using our services. And, by using a woman-owned small business, most of the government agencies could drastically improve their goals toward the Federal Women's Procurement Program.



What are we asking?

Our business involves providing a service, an Agency Human Resources function for outsourced FECA administration, not the purchase of a widget.

In many instances, our attempts to contact government entities go unheard. We have found it difficult to find legitimate opportunities to present our program. They do not see the innovative "out of the box" concept of moving toward outsourcing and dismiss the service without truly investigating its value. Despite the proven savings, we have been told by some agencies that they are simply not interested, for example, the Department of State.

When we are provided an audience, as with Commerce and the General Services Administration, we are ordinarily met with positive feedback and genuine interest. Unfortunately, we are most often told that while there is tremendous value in our service, the uniqueness of the program makes it difficult or impossible to get the funds appropriated. Agencies such as the U.S. Army and FEMA fall into this category.

We ask, why would government agencies not be interested in doing business with a small business, who can produce these kinds of results? Why is it so difficult to get an audience with anyone who can make a decision that the services brought before them are worthy of consideration?

What is the value of certification and contract processes that are not utilized?

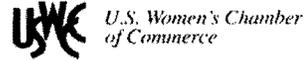
How does a small business stand a chance of bringing new and innovative ideas in areas that were previously not considered, if the governmental entities are not willing to try a new approach?

When will the government as a whole, not only recognize, but reward small women-owned businesses that are capable of producing worthy products and services?

Where is the real push to see greater small business, 8A and woman-owned business set-asides?

We ask for an open door policy with an open door; for participation; for parity; for organized effort; for a real rapport with government; for a unified front from all of you; for a

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turning point; for a newness of resolve; for your tenacity; for
an initiative to increase our participation;

We ask for real and meaningful opportunity.



March 21, 2007

**“Federal Government Efforts in Contracting with
Women Owned Businesses”**

**Statement of
Women Impacting Public Policy on behalf of the following
Coalition Partners:**

American Small Business Coalition	National Association of Women Business Owners
Association for Women in Communications	National Business Association
Association of Women's Business Centers	National Women Business Owners Corporation
Black Women Enterprises	Native American Women's Business Council
Center for Women's Business Research	New Jersey Association of Women Business Owners
Enterprising Women	UNIFEM/USA
Euro-American Women's Council	Women Construction Owners & Executives
Filipina Women's Network	Women Entrepreneurs, Inc.
Hispanics Impacting Public Policy	Women Impacting Public Policy - FL
Kansas City Council of Women Business Owners	Women Impacting Public Policy - PA
Moms In Business Network	Women Presidents' Organization
National Association for Female Executives	Women's Business Enterprise National Council
National Association of Certified Government Business Enterprises	Women's Leadership Exchange
National Association of Small Disadvantaged Businesses	

Women Impacting Public Policy (WIPP) and its Coalition Partners are pleased to submit testimony on the hearing, "Federal Government Efforts in Contracting with Women Owned Businesses." WIPP is a bipartisan public policy organization representing well over a half million women and minorities in business nationwide, including 47 organizations as well as individual members. We thank the Subcommittee for holding this hearing on this vitally important issue.

As background, 10.4 million women-owned firms in the United States employ one out of eleven employees and generate nearly \$2 trillion in revenues. Over a quarter of a million women-owned businesses have revenues of \$1 million or more. Yet, the federal government has awarded only 3.3% of its contracts to women-owned companies in FY05, falling well short of its stated 5% goal.

Chair Velázquez's Annual Procurement Scorecard points out that there are still a number of significant barriers to contracting with the Federal government for women-owned businesses that cause these businesses to lose billions of dollars annually.

There are policy reasons why the federal government falls short of its 5% goal to contract with women-owned companies.

1. **Failure to Implement Public Law 106-554.** This law establishes the ability of contracting officers to restrict competition to women-owned businesses. For seven long years, the SBA has failed to implement this law. Since the very inception of WIPP, implementation of the woman-owned contracting assistance program has been our highest priority. In countless testimonies, letters to the Hill and the Administration, and meetings with staff members, WIPP has advocated for implementation of this important contracting provision. It is an important and critical tool for the federal agencies to meet

their goal of five percent. The Committee's report on federal contracting prepared by Chair Velázquez in August 2006, "Scorecard VII," illustrates the obvious failure of the federal government in women-owned contracting. The report indicates that women business owners lost out on \$5.2 billion in contracts because of the failure of the government to meet the 5% goal in FY05. Furthermore, the report states that "the goal for women business owners has never been met since the inception of this evaluation – costing women business owners \$37.5 billion in lost opportunity over the past 7 years." It is not clear to us whether the SBA will implement this program. We urge the Subcommittee to require the SBA to quickly implement the women's contract assistance program.

2. **Contract Bundling.** For the past several years, women-owned businesses have felt the effects of contract bundling. Despite the President's unbundling initiative in 2002, the trend has proven otherwise. In 2002, the Office of Management and Budget (OMB) reported that for every \$100 awarded on a bundled contract, there is a \$33 decrease to small businesses. Despite strong evidence that bundling is not good for small business or the government, a 2004 Government Accountability Office (GAO) Report entitled, "Impact of Strategy to Mitigate Effect of Contract Bundling on Small Business is Uncertain," shows that federal agencies are confused over what constitutes contract bundling, which results in poor accountability and disparity in reporting. While 928 bundled contracts were captured in the Federal Procurement Data System (FPDS), only twenty-four of those contracts were reported to the Government Accountability Office (GAO).

According to a 2005 Small Business Administration (SBA) Office of Inspector General audit, the SBA reviewed only 13% of bundled contracts reported by the agencies (28 out of 220). The 192 bundled contracts which were not reviewed amounted to a total of \$384 million. The SBA cited a lack of resources in reviewing the bundled contracts. With the retiring workforce and the decrease in the number of procurement officials, contracts have generally become larger and less accessible to small businesses. Federal agencies need a clear definition of a bundled contract in order to strengthen SBA's hand in reviewing the contracts and to require that if an agency bundles a contract, it must put into place a provision that solicits small business teams and joint ventures.

3. **Subcontracting Integrity.** WIPP members have constantly reported a lack of subcontracting follow through on the part of prime contractors. Small businesses use valuable time and resources responding to requests from prime contractors to Request for Proposals (RFPs). Unfortunately, small businesses all too often are listed as a subcontractor on the bid, but never see any work from the prime. WIPP urges the Subcommittee to require subcontracting plans submitted by primes to include certification that the prime will utilize the small businesses listed, unless the small business can no longer meet the requirements. We would encourage the Subcommittee to include this language in this year's SBA Reauthorization.

4. **Adequate Technical Assistance from the SBA.** The government should be in a position to help small businesses obtain federal contracts, mainly through the SBA regional offices but the reality is that there is inadequate staff to provide procurement expertise to small businesses. Often the person who runs the 8(a) program, runs the veterans program, and runs the women's programs.....you get the picture. There is

little question that SBA District staff work hard and are dedicated. However, WIPP members report that while some SBA offices are able to introduce them to federal installations in their region and are knowledgeable about upcoming procurements, many are unable to do so.

This is largely due to whether or not Procurement Center Representatives (PCRs) are located at that facility and whether or not an SBA staffer is properly trained to understand government procurement. Procurement Center Representatives (PCRs) are charged with reviewing agency contracts and have the ability to review subcontracting plans and compliance with those plans. With a bare bones staff, this requirement is nigh to impossible. WIPP believes that the Congress should consider granting additional funding to hire additional PCRs. It is our understanding that the SBA intends to hire nine additional PCRs in FY08, but WIPP members believe the number should be much higher. We believe a critical need in SBA Regional Offices is procurement expertise and introductions to regional government installations. SBA Regional Offices do not currently have the personnel or the expertise to carry out this critical assistance to women business owners.

There is a financial incentive to the government to increase the PCR program. The "FY2004 SBA Breakout Procurement Center Representatives Report to Congress," showed that a team of eight employees in the Breakout PCR program saved the federal government \$2.52 billion from FY85 through FY04 in lower costs and prices.

5. **Empowering Small Business Offices in Federal Agencies.** One of the greatest challenges to federal contracting is understanding the system. Businesses who want to enter the federal market must understand how the federal buying system works.

And, for the record, no two agencies buy the same way. It is essential that small businesses understand marketing to the Federal sector, teaming agreements, mentor-protégé programs, the correct way to respond to Requests for Proposals (RFPs), the complex acquisition rules, and the different kinds of contract vehicles. The amount of expertise required to be a successful contractor to the government can be overwhelming.

That is where the Office of Small and Disadvantaged Business Utilization (OSDBUs) can help. Many agencies have women-owned small business (WOSB) advocates who are located in the OSDBU office. It is their job to know the agency and advise women-owned businesses how to navigate the agency. In addition, they are responsible for the agency programming for women-owned businesses.

A report issued by Madison Services Group, Inc., prepared for the National Women's Business Council entitled, "Best Practices in Federal Procurement- A Study of the Successes and Barriers for Women-Owned Businesses," identified seven best practices used by the small business offices in the government to assist women-owned businesses obtain Federal contracts. They include: vendor outreach sessions, teleconferencing, regional training, small business advisory committees, mentor-protégé programs, one-on-one counseling and small business conferences.

Yet, the twenty-six OSDBU offices that were interviewed for the study, reported that a lack of budget and staff prohibited them from properly assisting all of the small businesses that requested their help. Due to the overwhelming number of small businesses who want to do business with the government, OSDBU offices simply cannot handle the volume of calls and emails. Women-owned business advocates, in many

cases, do not have a budget. They do not have an interagency forum to share ideas and best practices.

We urge the Subcommittee to empower these small business advocates whose work is invaluable to small businesses seeking Federal contracts. The law which established these offices, P.L.95-507, clearly states that the Director of the OSDBU office should "be responsible only to, and report directly to, the head of such agency or the deputy of such head, except that the director for the Office of the Secretary of Defense shall be responsible only to, and report to, such Secretary or the Secretary's designee."

In reality, many OSDBUs do not report to the Secretary/Director of the agency and do not have the authority to influence agency procurements to any real extent. In many cases, they are relegated to positions of little or limited influence with an inadequate budget and no meaningful oversight of procurements. And yet, the OSDBUs are the voice of small business within the agencies. We believe that only Congressional directives and oversight will turn these critical offices into the defenders of small business that Congress envisioned.



WOMEN CONSTRUCTION OWNERS & EXECUTIVES, USA

4401A CONNECTICUT AVENUE NW, WASHINGTON, DC 20008 ♦ P (800) 788-3548 ♦ F (650) 351-5564 ♦ www.wcoeusa.org

To: House Subcommittee on Contracting and Technology Committee on Small Business

Re: Federal Government Efforts in Contracting with Women Owned businesses

Hearing Date: March 21, 2007

Women Construction Owners & Executives, USA is pleased to submit written testimony on the hearing "Federal Government Efforts in Contracting with Women Owned Businesses." WCOE, USA is a national trade association representing women who own and operate their own construction companies or are highly placed policy making executives in the construction industry. Woman-owned businesses have more employees than all of the Fortune 500 companies combined. Small business is the primary avenue through which women enter the business community. Women, as business owners, face additional barriers of socio-economic stereotyping, which inhibit their ability to obtain capital, contracts, bonding, and access to market opportunities. This is especially true in nontraditional fields, such as construction. While WCOE has joined in the testimony submitted by WIPP (women impacting Public Policy), we wanted to emphasize the following additional points:

Failure to Implement Public Law 106-554. In 2000 a bipartisan majority of Republicans and Democrats passed PL106-554 recognizing that women in certain non traditional fields still faced discriminatory barriers and called for the implementation of the woman-owned contracting assistance program. Despite promises by the past and current Administrators of the SBA, no program has been identified or implemented. It is interesting to note that it took the SBA only 6 months to implement a similar program for veterans, but it has taken over 7 years to implement such a program for women owned businesses. With 10.6 million women owned businesses in this country, it is disgrace that only 3.3% of government contracts are awarded to women owned businesses. This is not because we are all home based businesses or working for "pin money". This is a day and age where women build bridges and roads and hospitals and are being excluded from bidding and procurement opportunities. We urge the Subcommittee to require the SBA to quickly implement the women's contract assistance program.

2. **Contract Bundling.** For the past several years, women-owned businesses have felt the effects of contract bundling. Despite the President's unbundling initiative in 2002, the results have been disappointing. A recent briefing by the Small Business Administration's Office of Advocacy for Women Construction Owners and Executives, USA revealed that while SBA has some oversight on bundled contracts, they have insufficient staff to review the number of contracts referred to them and the bottom line is that they have no real enforcement authority to mandate the unbundling of contracts.

Bundling has resulted in substantially fewer small businesses receiving federal contracts and the federal government is suffering from a reduced supplier base. American small business brings innovation, creativity, competition and lower costs to the federal table. When small businesses are excluded from federal opportunities through contract bundling, agencies, small businesses and taxpayers lose. Large bundled projects impose excessive bonding limits and require long term cash flow commitments which small businesses cannot meet. Bundling also creates an additional layer of management, adding cost without value to the taxpayer.

WCOE proposes that regulations and/or legislation require that construction contracts be unbundled when they exceed \$7 million (for Department of Defense), \$5 million (for Department of Energy, General Services Administration and NASA) and \$2 million (for all other agencies). If an agency proposes any bundled contract in excess of these amounts, the Procurement Center Representative and OSBDU offices **must** give approval prior to the contract solicitation being published.

3. **Subcontracting Integrity.** WCOE members have experienced first hand the lack of subcontracting follow through on the part of prime contractors. Small businesses use valuable time and resources responding to requests from prime contractors to Request for Proposals (RFPs). Subcontracting Plans must have accountability standards and an enforcement mechanism to ensure that small business participation promised by prime contractors is met. For many years large federal contractors have been required to submit subcontracting plans demonstrating their utilization of small businesses (including businesses owned by women and minorities, HUB Zone, Disabled Veterans and other small business categories) on various federal procurement/construction projects. However, there has been little tracking and nearly no enforcement mechanism so that prime contractors get credit for using small businesses whether

they actually do so or not. Realizing that procurement officers and contract administrators for the government do not have the resources to audit and enforce subcontracting requirements on all subcontracting plans, WCOE proposes that the provisions relating to Subcontracting Plans be amended to require:

- 1) Identification of the small business to be used on the project with a brief description of the work and the approximate dollar value of the work to be performed;
- 2) Provide grounds for the removal or substitution of a subcontractor who is unable or unwilling to perform certain contract requirements;
- 3) Require the government agency to withhold payment from the prime contractor if a subcontractor who is listed, is not contracted to perform the work (and has not been properly removed or replaced);
- 4) Allow a private right of action by subcontractors who are listed in Subcontracting Plans but who are not used or replaced according to the removal or substitution provisions herein.

We would encourage the Subcommittee to include this language and address this issue in this year's SBA Reauthorization.

4. **Adequate Technical Assistance from the SBA.** The government should be in a position to help small businesses obtain federal contracts, mainly through the SBA regional offices but the reality is that there is inadequate staff to provide procurement expertise to small businesses. Additionally, programs established to "assist" small businesses are often more costly than those available on the open market. For example, the Subcontractor Bonding Program at the SBA costs a subcontractor more than bonding would cost on the open market. And, the reason a subcontractor would want to come to the SBA for assistance is because the cost of bonding is cost prohibitive for a small start up business. WCOE suggests the SBA engage an advisory panel of successful small businesses to recommend practical and effective changes to their programs such as certification, contractor bundling, capital financing programs etc.

WCOE has often said that the SBA is the government's best kept secret. It is a wealth of information and has the potential to assist thousands of small businesses to succeed each year. However, lack of funding, staffing, commitment to the women business program and practical application of their programs to the private sector is hampering the growth and success of

women owned businesses. It is critical that the SBA Reauthorization act be fully funded this year with an eye on full implementation of the WBE program. Women Construction Owners & Executives, USA thank you for the opportunity to submit this testimony and welcomes the opportunity to provide you with any additional information you may require.

Deborah Wilder
President
Women Construction Owners & Executives, USA.
deborahwilder@wcoeusa.org

ROSSI & MEAGHER LLP

March 26, 2007

The Honorable Bruce Braley, Chairman
Subcommittee on Contracting & Technology
House Committee on Small Business
United States House of Representatives
Washington, DC 20515

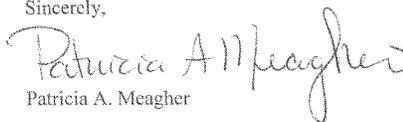
Re: March 21 Subcommittee Hearing: Federal Government Efforts in Contracting with Women-Owned Businesses

Dear Chairman Braley:

I am a partner in a woman owned law firm and a member of Women Impacting Public Policy (WIPP). I am pleased to submit a statement for the record for the March 21 hearing, "Federal Government Efforts in Contracting with Women Owned Businesses." I would like to thank the Subcommittee for holding a hearing on these vital issues that directly affect women owed businesses.

In my law practice, I represent several women-owned businesses. I also have more than 20 years experience in government contract law. There are more than 10 million women-owned businesses in the United States, employing one out of eleven employees and generate nearly \$2 trillion in revenues. Over a quarter of a million women-owned businesses have revenues of \$1 million or more. Yet, the federal government has awarded only 3.3% of its contracts to women-owned companies in FY05, falling well short of its stated 5% goal. The adverse impact to women business owners caused by the failure to implement the Women's Equity in Procurement Act, Public Law 106-554, cannot be overstated. Although the law was passed more than seven years ago, the SBA has dragged its collective feet and failed to implement this law. Even today, it is unclear whether SBA will implement this program. I urge the Subcommittee to require the SBA to quickly implement the women's contract assistance program.

Sincerely,


Patricia A. Meagher