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Small Business Association for Technology

Press Release

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The Small Business Association for Technology Presses Congress to Reform Government Contracting Regulations for Minority-Owned Small Businesses

Fundamental regulatory changes in agency oversight have the potential to promote greater small business opportunities in the federal procurement marketplace

WASHINGTON, D.C. -- Fernando V. Galaviz, chairman of the Small Business Association for Technology (SBAT), testified before the U.S. Senate Committee on Small Business and Entrepreneurship where he outlined the crucial need of creating new subcontracting regulations to ensure competitive and fair government contracting opportunities for small disadvantaged businesses (SDBs). At the Senate hearing held on May 22 entitled, *Minority Entrepreneurship: Assessing the Effectiveness of the Small Business Administration's (SBA) Programs for the Minority Business Community*, Mr. Galaviz stated "Contract bundling is inevitable in the government marketplace and therefore policymakers should focus on changing regulations to reflect this reality and set-aside 20 percent of all identified bundled contracts for small business competition."

Mr. Galaviz proposed to Congress that all major federal procurement agencies and contracting officers should consider implementing a procurement strategy developed and utilized by the U.S. Air Force (USAF) to mitigate contract bundling and resolve unfairness in subcontracting. The SBAT chairman stated, "Minority-owned small businesses should be permitted to organize into government approved joint ventures that team together to meet the 50 percent work share requirements for the majority of bundled contracts hence permitting small businesses to demonstrate capabilities, establish a record of past performance, and cost savings for the federal government and taxpayers."

According to data captured in the Federal Procurement Data System – Next Generation (FPDS-NG), the federal government spent over \$417 billion in Fiscal Year 2006, but only 43 contracts over \$5 million were reported as bundled and accounted for \$5.7 billion. Over the past five years, total government contracting has increased by 60 percent, while the number of small business contracts has decreased by 55 percent.

In fact, a smaller number of government contracts being awarded to small businesses combined with increased government spending is clear evidence of contract bundling. Moreover, consolidating multiple government contracts into single contracts limits the participation of small businesses as prime contractors and it is more difficult for small businesses to compete for

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multiple service contracts due to the high cost of preparing proposals and the low probability of winning against large businesses.

Presently, large companies improperly receive small business contracts due to errors by contracting personnel and failures to enforce small business contracting procedures. SBA responded by saying it would implement a new recertification rule next month to ensure that small businesses receiving government contracts meet the requirement.

Concerning other failings in the federal procurement process, SBAT recommended that the committee take steps to provide reasonable assurance that the General Services Administration (GSA) comply with SBA regulations which require that a contractor meet the size standard for each product or service for which it submits an offer. These actions will ensure that only small firms obtain small business awards and agencies only receive small business credit for awards to small firms.

Mr. Galaviz said that contracting personnel should be held accountable to report uniform and reliable contract bundling data to ensure compliance with federal regulations and to increase transparency so subcontracting opportunities are available to small businesses. Additionally, all federal agency head administrators should issue guidance to the appropriate procurement officers and contracting personnel reinforcing the necessity for documenting in publicly available sources the federal agencies' decisions regarding subcontracting plan requirements.

Chairman Kerry and Ranking Minority Member Snowe promised to introduce legislation this summer to improve federal contracting procedures for small businesses and increase oversight of federal agencies. Senator Snowe said the bill would propose ways to promote SBAs entrepreneurship programs, including the 8 (a) program.

Mr. Galaviz informed the committee that SBAT is committed to working with Congress to ensure that new legislation is formed to improve SBA programs for members of the minority-owned small business community in order to benefit from increased government contracting awards, achieve economic self-sufficiency and reach their full potential in the federal procurement field.

The Small Business Association for Technology (SBAT) was formed in 2003 to advocate for public policies that provide the greatest opportunity in the government contracting marketplace for small disadvantaged businesses. SBAT monitors existing federal regulations and proposed legislation that impacts its national members organizing strategic efforts to safeguard the interests of American small businesses.

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