

**Statement of  
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**Before the  
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Subcommittee on Government Management, Organization and Procurement**

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Chairman Towns, Ranking Member Bilbray, and members of the Committees, thank you for inviting me here today to discuss the role the Small Business Administration plays in supporting the small business community within the federal market place. I am Calvin Jenkins, the Deputy Associate Administrator for the Office of Government Contracting and Business Development at the SBA.

I will begin with a quick overview of SBA's 8(a) Business Development Program. The 8(a) program began during the 1960s to assist eligible small disadvantaged business concerns to compete in the American economy through business development. The Small Business Act authorizes SBA to develop business ownership among groups that own and control little productive capital. Individual applicants must demonstrate social and economic disadvantage. Although some groups are presumed to be socially disadvantaged, they, as well as all other applicants, must also demonstrate economic disadvantage. In addition, all U.S. citizens who can demonstrate social and economic disadvantage as well as compliance with the other eligibility requirements are welcome to apply for participation in the 8(a) program. Today, there are approximately 9,000 certified firms in the 8(a) program, with contracting dollars of \$12.4 billion in FY 2006; this is an increase of \$6.1 billion since 2001. Additionally, in 2006 contracting dollars overall to Small Disadvantaged Businesses, including 8(a) was \$22.9 billion.

In 1988 a significant change was made to the 8(a) program when Congress enacted legislation that allowed firms owned by Indian Tribes, including Alaskan Native Corporations and Native Hawaiian Organizations, to participate in the 8(a) program. Subsequent to that change, Congress authorized firms owned by Community Development Corporations to participate in the 8(a) program.

Generally, 8(a) firms can receive sole-source contracts for up to \$5 million for manufacturing or \$3 million for all other contracts. By statute, 8(a) firms owned and controlled by Indian tribes, including ANCs, may receive sole source 8(a) contracts above the competitive threshold amounts. Another way tribally-owned and ANC-owned firms differ from non-ANC 8(a) firms: there is no limit on the number of firms an ANC 8(a) participant may own as long as each business is in a different primary industry. By the express terms of the Alaska Native Claims Settlement Act, a firm that is at least 51

percent owned and controlled by an ANC is deemed to be owned and controlled by socially and economically disadvantaged individuals.

The difference between ANC-owned 8(a) firms and non ANC-owned firms in the 8(a) program stem from the assumption that organization-owned firms, including ANC's, will utilize the program to provide economic development to their respective communities. All other 8(a) participant firms utilize the program to receive individual business development, as was the initial intent of Congress. As the law is currently written, the 8(a) program is designed to provide business development support to disadvantaged individuals while also providing regional and community economic development to organization owned firms, including Indian tribes and ANCs.

In April 2006 GAO published a report entitled "Increased Use of Alaska Native Corporations' Special 8(a) Provisions Call for Tailored Oversight" addresses some of the differences I just mentioned. The report notes that Federal contract dollars obligated to firms owned by ANCs grew from \$265 million in FY 2001 to \$1.1 billion in FY 2004. The report found that ANCs are increasingly utilizing the special advantages Congress has provided them. The report also found that contracting officers often need more guidance on how to effectively use the program to ensure taxpayer dollars are spent wisely, and SBA could make improvements to its oversight of the program.

Also, significant increases in Federal contract dollars went to other groups during the same period of time. In FY 2004 women-owned small businesses grew from \$5.5 billion to \$9.1 billion, service-disabled veteran-small businesses grew from \$554 million to \$1.2 billion, HUBZone firms grew from \$1.6 billion to \$4.8 billion, and overall small business grew from \$50.1 billion to \$69.2 billion. The Federal Government has worked hard to achieve its goal of 23 percent of its prime contracting dollars to businesses that qualified as small businesses, including ANC's. Though there is a small disadvantaged business goal which includes the 8(a) program, there is no separate goal for 8(a). However, in FY 2004, 8(a) firms were awarded \$8.4 billion of the SDB achievement of \$18.5 billion.

Finally, I'd like to talk about oversight. The SBA takes its oversight responsibility over Federal procurement programs very seriously. Prior to the release of the GAO Report, the Agency had taken a number of steps to improve the oversight of the 8(a) program, including taking into consideration special provisions afforded to 8(a) concerns owned and controlled by ANC's, NHO's, and Indian tribes. For instance, the Agency has revised its Partnership Agreements, which delegate SBA's 8(a) contract execution function from SBA to various Federal procuring agencies, to clarify their roles and responsibilities for monitoring contract compliance of and performance by 8(a) firms. SBA has also increased training to field staff responsible for working on 8(a) issues. In addition, the Agency is exploring possible regulatory changes that will strengthen the program and increase SBA's oversight capabilities.

As we further our efforts to assist underserved markets, we continue to be concerned and cognizant of making sure we do not set as rivals one program against

another as they share the same end goal. To this regard, SBA's FY 2008 Budget includes a request for \$500,000 to examine how best to serve the 8(a), HUBZone, and Small Disadvantaged Business Communities, as well as women-owned and service-disabled veteran-owned small businesses, while not restricting the success of any one program. We recognize the Agency can improve on the current progress in the management as well as the effectiveness of these important programs and will use these resources to determine how to best serve these communities. These resources will be used to analyze, among other things, training and the use of technology in order to determine how to best service the businesses that use these products.

SBA recognizes the need for improving our government contracting programs and is taking the lead moving forward, along with the Office of Management and Budget's Office of Federal Procurement Policy (OFPP), to carry out a number of initiatives, including working with agencies to ensure their small business contracting number reporting is accurate. The integrity of the data reported to Congress and the public is crucial to instill confidence in the Federal contracting system.

A great example of the progress being made in this area is SBA's recent publication of the first of a biannual Small Business Procurement Scorecard. The scorecard is a method of ensuring that federal agencies provide the maximum possible opportunity for small businesses in the federal marketplace, especially those businesses categorized as socially and economically disadvantaged, consistent with statutory contracting goals. It reflects "current" performance, and more importantly "progress" Federal agencies are making in improving such performance. The new scorecard uses the same approach as the President's Management Agenda to ensure that agencies have clear goals and action plans, and are regularly assessed on their performance, and data integrity is a key element of it. Additionally, the Scorecard is an important tool to both increase procurement opportunities for small businesses while more accurately measuring each individual Agency's results. This scorecard, along with the advances made in FPDS-NG, are significant steps in adding transparency and greater accuracy to the federal procurement process.

To better serve small businesses who do business with the government, SBA is redefining roles and responsibilities so that Procurement Center Representatives (PCRs) can devote more time to finding opportunities for small businesses with procuring agencies, while the district offices, SBA, and non-SBA resource partners focus more time providing training and counseling to getting small businesses positioned to compete for Federal contracts. Currently, there are 53 PCRs serving small businesses throughout the federal market place. We have already begun to implement a plan to increase the number of PCRs to 66 by the end of FY 2008. Furthermore, a succession plan has been created to account for the future retirements of these PCRs. We are very focused on backfilling any positions that become vacant in a timely fashion as we realize the importance these individuals play.

SBA is committed to continue implementing the laws governing the 8(a) program as Congress intended them, while ensuring taxpayer dollars are spent wisely. We would

also like to ensure that through our oversight and administration of the program, all 8(a) participants receive the appropriate assistance.

Thank you for allowing me to share SBA's views with you today and I am happy to answer your questions.