



Testimony of
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Rebuilding America: Small Business Perspective

Chairwoman Velazquez, Ranking Member Chabot, Members of the Committee

My name is Terri Williams and I am the Director of the University of Texas at San Antonio Procurement Technical Assistance Center. The government contracting program within this center is funded by the Department of Defense Defense Logistics Agency for the purpose of providing counseling and training to businesses desiring to contract with the federal, state, and local governments. Additional programs of within UTSA include those that receive Department of Transportation funding to help businesses become successful with Highway contracting. DoD funds also support Cybersecurity readiness for small businesses and compliance with federal requirements and SBA funds Employer Services and Emergency Preparedness. Over the past 30 years that I have been involved in listening to the needs of small business owners and providing solutions. Today, key issues are identified as infrastructure, broadband, cybersecurity, government contracting opportunities, and access to capital. My testimony is focused on these issues and anecdotes of small business owners who continue to struggle towards success.

Statistics

Small businesses continue to be the driving force of our nation's economy. According to the most recent SBA Small Business Profile of 2018, 30.2 million businesses meet the definition of small, which accounts for 99.9% of all U. S. businesses. They employ 58.9 million people which accounts for 47.5% of total employees and are responsible for creating 1.9 million net new jobs. Small businesses also hire 43% of all workers in the high-tech sector and produce 13 times as many patents per employee as large firms in high-tech industries. However, this cannot continue to be sustained or increased without investment in infrastructure to help small businesses be competitive with their counterparts.

Infrastructure

Broadband has become an essential tool for doing business. It is important for connecting with customers, working with suppliers, enabling remote access to employees and improving operations. It is a critical component in competing locally and globally. According to a report of the State Broadband Initiative of New Jersey, in order for small businesses to adopt broadband, three areas have to be considered—availability, affordability, and adoption.

Availability must consider two important factors:

1. Is the infrastructure to deliver broadband available and accessible at the location of the small business?
2. Does the available broadband meet the security needs of the small business?

Affordability must consider the following:

1. Is there a need for upgrading the infrastructure or expanding it to the small business location? Is it affordable to the small business?
2. Can the small business afford the technology, devices, equipment, applications needed to adopt the use of broadband into their operation and business?
3. Can they afford to train or hire new staff for implementation?

Finally, adoption considers knowledge and how to adopt it into their business, effectively integrating it into their operations, and realizing the benefits. For many businesses in rural areas of the country, broadband is not an option which leaves them unable to comply with electronic submissions to register their business, submit a bid or proposal, receive payments, or meet data security requirements.

Cybersecurity

In an effort to address national security issues, the Department of Defense (DoD) has identified a need to increase the number of businesses who are resilient and compliant with cybersecurity requirements and decrease the vulnerability of the supply chain. Cyberspace is becoming ever more pervasive and entangled with physical space and our daily work and social lives. Requirements are now included, in many DoD acquisition documents, for businesses to have a system security plan consistent with the National Institute of Standards and Technology (NIST) framework. This framework includes 109 components of information security techniques, aggregated into 14 families of categories ranging from access control to system and information integrity. Unless small business owners are equipped with human and financial resources to comply with these standards, they will be left behind in the federal contracting market. Many businesses have expressed the need to receive financial assistance due to the perception of high training costs, high costs to assess their data security processes, and high costs to assess their computer software and hardware equipment. Institutions of higher education, such as the University of Texas at San Antonio, University of Michigan, Florida State University, and the

University of Houston, have collaborated with resource partner organizations or academic departments to provide low or no cost training and workshops to help small businesses become compliant and contract-ready. In an effort to respond to this need, UTSA has developed a Small Business Cybersecurity Training Academy for the purpose of helping small businesses develop a system security plan that meets DoD DFARS and NIST requirements. However, this training does not provide relief to cover any necessary costs for equipment upgrades. As a result, small businesses are limited in government contracting as a primary contractor or vendor, as well as a sub-contractor or sub-awardee further down in the supply chain since this requirements flows down to suppliers/vendors/sub-contractors, etc.

Contracting

Over the past 30 years, federal, state, and local government agencies have strategized, at the request of small business owners, to provide information and assistance in responding to requests for government contracting bids and proposals. Small businesses view government as a reliable market to expand their business and become successful. However, it is very difficult for any business to navigate through the many requirements to enable contracting success. Over the past 8 years, federal agencies received grades on their performance which are not only based on agency operations but also on their achievement in meeting contracting goals with small businesses. In addition, federal contracting goals further categorize businesses based on ethnic, gender, military-service, and financial ownership, as well as geographic location and hiring.

While state and local governments establish goals that are specific to the availability of businesses in their geographic area, federal agencies have a broader reach. The federal establishment of business utilization goals is a good start to rebuilding America's business economy. On a federal level, 6 out of 10 contracting goals have been achieved through the utilization of small, minority, women, disadvantaged, veteran-owned, and hubzone businesses. Although, many small businesses have had significant growth and expansion through federal contracting, many more still require technical assistance, guidance, and financial resources.

Access to Capital

And finally, none of the above mentioned issues can be resolved without access to significant financial resources. Small business advocates such as the Small Business Administration, LiftFund, and PeopleFund have developed creative products to provide loans with the support of the banking industry. These are available in the form of loans that are guaranteed by banks, microloans, contract collateralized loans, and even crowdfunding. Support of small business financing mechanisms that relax total dependence on high credit scores and lowers interest rates will help businesses be more competitive and infuse money back into their business.

In closing, thank you for the opportunity to share information on small business experiences as it relates to rebuilding America. I'll be glad to answer any questions of the committee.