



U.S. Small Business
Administration

Testimony of

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Good morning, Chairwoman Velazquez, Ranking Member Luetkemeyer, and distinguished members of the committee. On behalf of our Administrator, Isabella Casillas Guzman, and the entire Agency, thank you for the opportunity to appear before you today to discuss the important role that government contracting plays in investing in and empowering small businesses across the United States.

The Federal Government is the largest purchaser of goods and services in the world, leveraging its immense spending power of over \$500 billion annually on everything from biopharmaceutical research to cybersecurity improvements to green building architecture. And time and time again, it is our nation's small business contractors who are driving these kinds of innovations, bolstering our supply chains, moving our economy forward, and keeping our country secure.

For many small businesses, there is real power that comes with getting to say that the United States Government is one of their clients. At the same time, the Federal Government and the American taxpayer benefits from partnering with our nation's small business innovators to create jobs in every community across our nation.

Under the leadership of President Biden, we have seen a governmentwide overhaul in how federal agencies, from contracting offices all the way up to front offices, approach and promote small business procurement. This Administration has shown over the past year and a half that it believes in advancing the cause of small and socioeconomic business contracting not only for the sake of our Congressional goals, but also for the health, security, and prosperity of our industrial base. In so doing, President Biden and Administrator Guzman have prioritized breaking down historic barriers to create opportunity for American entrepreneurs. I am proud to be a part of this Administration's work to ensure that every person can take that leap of faith into the challenging, but endlessly rewarding, world of business ownership.

By way of background, I am the daughter of Cuban exiles who came to the United States after the Cuban Revolution. The day of the Bay of Pigs invasion the Cuban militia stormed into my Grandparent's house in Havana and took my Grandfather, my Mom, who was only 17 years old, and her two sisters, to prison. Though deprived of their freedoms for 39 days, America soon offered an open door for a better future—a future for my mom and dad to start their family, raise five children, and teach each of us about grit and determination. And based on our deep Ignatian faith, we were taught the importance of working in service of others.

These are the values that guide me in public service, as I have worked to promote small business interests under two U.S. Presidents. I was a small business owner myself – starting a business with my younger brother Patrick to serve Fortune 500 companies in developing strong supply chains. During our time working on a start-up, I faced many of the same challenges that I hear about from small business owners that I meet across the country today. I understand the challenges with making payroll or landing a contract. I also understand the reward and satisfaction when that first check arrives.

As Associate Administrator of SBA's Office of Government Contracting and Business Development, my team and I work daily to widen the doors of access and opportunity for all small businesses looking to share their wealth of talents and innovations in the federal marketplace.

24 Agencies and Us

SBA advocates on behalf of small business contractors on a national scale. We work to monitor the progress of all 24 CFO Act agencies towards the Congressionally mandated goals for small business contracting, including the 23 percent goal for all small business concerns, the 5 percent goal for Small Disadvantaged Businesses, the 5 percent goal for Women-owned Small Businesses, the 3 percent goal for Service-disabled Veteran Owned firms, and the 3 percent goal for HUBZone firms. SBA works with our partner agencies to reach and surpass these Congressional goals, translating to almost \$150 billion in small business contracts per year.

On the first day of the new Administration, President Biden signed an Executive Order on Equity and Underserved Communities which directed the government to use federal procurement strategies that expand access for socioeconomic firms. The President also announced an all-of-government effort to grow federal contracting spend with Small Disadvantaged Businesses to 15% by 2025. That adds up to tens of billions of additional dollars over five years. Together with our overall small business goal, women-owned business goal, service-disabled veteran owned goal and HUBZone goal, these federal commitments represent a once-in-a-generation opportunity to invest in all of our nation's skillful small business and turn their ideas into the very real solutions that the U.S. government needs to take on its greatest challenges.

While SBA negotiates and monitors agency-specific goals throughout the fiscal year, we also have a dedicated team of Procurement Center Representatives (PCRs), who negotiate with contracting officers across federal agencies to create billions of dollars in new small business set-asides. As just one example among many, one PCR worked to appeal an agency's recent \$7.7 billion IT acquisition strategy, which not only would have displaced pre-existing small business contracts, but which also did not include set-asides for small business concerns. Because of my team's efforts, they were able to secure a commitment from the agency to set a 37 percent goal for prime contracting with small businesses, equivalent to \$2.85 billion. That amounts to thousands of quality, good-paying jobs being created or maintained at small firms across the country over the next decade.

Bundling Impairs our Communities

Given the unprecedented spikes in contract bundling occurring across the federal government, SBA's work advocating for small business spending has never been more important. Increasingly, federal contracts are being consolidated until they are no longer within reach for many small businesses, removing them from the competitive process and effectively, from the federal marketplace. As context, in the 10 years prior to FY2019, the government bundled a total of \$44 billion in contract work that had been performed by small business but that had since been consolidated into large-business contracts. In just the past three fiscal years, however, the federal government has bundled a total of \$112 billion—averaging almost a full decade's worth of bundling each year.

Data demonstrates that bundling practices, present one of the largest barriers to entry to federal contracting. Just eleven years ago, the Federal Government contracted with more than 131,000 small businesses; today that number is closer to 80,000. That is a 39 percent drop in our small business industrial base. Over the same time period, there has been a 60 percent decrease in new small business entrants to federal contracting.

As part of the President's commitment to Equity in Procurement, SBA has worked with the White House, the Office of Management and Budget, and our partner agencies last year to announce five major policy changes for federal contracting to ensure that socioeconomic firms have a strong footing on which to compete in the federal marketplace. These changes improve on five key areas—Access, Delivery, Accountability, the Playing Field, and Transparency, or as we have dubbed them in my office, ADAPT.

First is Access—SBA and the White House are committed to tracking new entrants to the federal marketplace to expand the domestic supplier base, to reverse the past decade's decline in the number of small businesses contracting with the government, and to ensure that prospective government contractors can compete and win awards.

Delivery—As was mentioned earlier, President Biden committed this Administration to raising the governmentwide Small Disadvantaged Business goal to 15 percent by Fiscal Year 2025. Earlier this year, SBA negotiated with all Cabinet and procurement agencies to establish ambitious, agency-specific goals around SDB contracting so that, governmentwide, we reach 11 percent in Fiscal Year 2022.

Accountability—Agencies have been directed to add small business goals into the yearly performance evaluations for Senior Executive Service officials in program offices overseeing contract activities. When similar policies were introduced under the Obama Administration, we were able to achieve the 23 percent small business goal for the first time in nearly a decade. Now, we hope that reintroducing the goals to performance evaluations will spur even more set-asides for small and disadvantaged businesses, while also cutting down on the bundling of federal contracts.

The Playing Field—SBA fought to ensure that federal contracting guidelines for small business set-asides are being followed and to add new guardrails and even more windows of opportunity for small firms to work directly with the Federal Government. Based on new guidance developed collaboratively between the White House, the Office of Management and Budget, SBA, and our partner agencies, more than 30,000 socioeconomic small businesses—that's all Small Disadvantaged Businesses, Woman-owned Small Businesses, Service-disabled Veteran-owned firms, and HUBZone firms—are now automatically provided Tier 2 credit for Category Management. As a result, contracting officers are incentivized to take maximum advantage of socioeconomic small businesses both through open market transactions and on existing vehicles, all with a close eye towards growing the small business supplier base.

And finally, Transparency—For the first time in history, SBA has publicly released data on the percent of federal dollars that went to Black, Latino, Asian American, Native American, and tribally owned small businesses. According to Consulting Economist Jon Wainwright, "...large, adverse, and statistically significant disparities are found to exist for minority businesses in the great majority of cases throughout the United States, in the economy as a

whole, and in each major procurement category and industry sector.” Disaggregated data represents an important tool to ensure that we are not missing out on partnering with talented CEOs on the cutting edge of innovation. In particular, by housing this data on the SBA.gov website, we can better track our progress toward achieving the President’s bold vision for partnering with small and socio-economic firms.

Creating a Customer-Centered Approach to GCBD’s Certification Processes and IT

At the start of the Biden-Harris Administration, SBA’s certification IT ecosystem was in need of significant process review and improvements. That is why we worked to overhaul the certification application IT systems, including to Certify, beta.Certify, and the HUBZone Certification Tracking System (HCTS). These changes have come in two forms—first, as client-facing improvements to the system itself, such as streamlining the application process and improving webpage performance; and second, as staff-facing improvements to the system that have heavily cut down on processing times. As part of the governmentwide Customer Experience initiative and Administrator Guzman’s customer-centric focus agencywide, we also launched a Customer Survey so that we can collect ongoing feedback on our IT systems and put the voice of the customer at the center of our development efforts.

Our reforms are making a difference: SBA is processing certification applications over 20 percent faster than statute requires. In fiscal years 2019 and 2020, the average processing time for an 8(a) Business Development Program application was 137 days. Since President Biden took office, that number has dropped to 94 days. In the past year alone, the HUBZone program reduced application processing time by 40 percent, resulting in a 3-week turnaround time for getting application decisions to firms. In just the past few months, process improvements in the WOSB program have led to a 35 percent increase in the number of applications that move forward from initial review to be considered for certification.

Moreover, just last month, our Information Technology team deployed a large set of improvements to Certify.sba.gov that were based on recent feedback, commercial usability best practices, and federal plain language guidelines to accomplish two major areas of improvement: re-design of the Certify.sba.gov website and simplification of the program application.

Where more support is needed by the applicant, we provide a clear pathway to Small Business Development Centers and Procurement Technical Assistance Centers nearby to connect them with our network of business specialists and counselors. Our application simplification effort has reduced the number of questions presented to applicants by 10 percent, and it has revised 80 percent of questions to reflect federal plain language standards.

The lessons learned from these and other critical reforms to our certification processes have played an important role in reshaping the application experience for our nation’s small business contractors. At the same time, they have helped to establish best practices that will form the baseline for the Veteran’s certification program that is transitioning from the Department of Veterans Affairs to SBA on January 1, 2023. America’s Veteran community has come to expect a standard of care from the Veterans First Contracting program at the VA, and SBA has been working diligently with the VA and stakeholder groups to stand up a program that embodies that same level of care and attention that our Veterans deserve. By having all small business

certification, technical assistance, and business development programs under the same roof at SBA, we will serve as a one-stop shop for veteran entrepreneurs to access resources and trainings to support their growth and success. For example, already in our Mentor-Protege Program, 31 percent of participants are Service-disabled Veteran-owned firms, receiving everything from trade education to financial assistance to technical trainings in order to build capacity to compete in the federal marketplace. With veteran and service-disabled veteran-owned small business certifications fully incorporated at SBA, we can open the doors to even more veteran-owned firms to take advantage of our programs.

My technical team's work is driven and prioritized directly by the voice of the customer, and with Administrator Guzman's technology forward approach to the work we do here at the agency, we look forward to many new technology releases that ease small business entry into the federal marketplace and support their development as market competitors.

Conclusion

The resulting economic crisis from the pandemic continues to have an unprecedented impact on America's small businesses. Entrepreneurs across America—especially the smallest of the small in urban, rural, and Tribal areas, businesses owned by women and people of color—struggled to stay afloat, and many still live with the lagging effects of limited work and lost revenues.

As we recover from the pandemic and support a new generation of entrepreneurs, ensuring that small businesses can access the immense resources of SBA and the federal government through contracting is more important now than ever. With a wealth of cutting-edge ideas and inventions from small businesses across the nation, the federal government is poised to help deliver greater value for taxpayers through government contracting.

Thank you again Chairwoman Velazquez, Ranking Member Luetkemeyer, and distinguished members of the Committee for the opportunity to appear before you today. I look forward to your questions.