

**Statement of
The Honorable Eleanor Holmes Norton
Subcommittee on Economic Development, Public Buildings,
And Emergency Management
“Doing Business With The Government: The Record And Goals
For Small, Minority, Women, And Disadvantaged Businesses”
March 6, 2008**

The Subcommittee is very pleased to welcome our witnesses today. We look forward to learning from the testimony of our small business participants concerning their experience in contracting with the Federal government, and equally from the testimony of agencies within the jurisdiction of this Subcommittee about their goals and accomplishments for small businesses and for minority, women -owned, and disadvantaged businesses.

Small businesses are central to today's economy. The Federal government, as the largest small business contractor, has a special obligation to this indispensable economic sector. The roughly 25 million small businesses in the United States account for fully 50% of the nation's private non-farm gross national product. However, they receive only 20% of Federal contracts. Women make up 30% of the small business owners nationally, but receive only 3.4% of federal contracts. Minorities own 18% of small businesses nationally, but receive only 6.8% of federal contracts. Service-impaired veterans face the worst odds of all, with only 0.87% of federal dollars going to their firms.

I do not suggest that all of these small businesses should, would even desire, or would be qualified to do business with the Federal government or that rigid statistical parity is the goal. However, the government fell \$12 billion short of meeting its own modest contracting goals for small businesses. Yet, small businesses are responsible for the lion's share of new jobs. Because most of the jobs created by small businesses remain in this country, their formidable job creation power has premium value for our economy and the American people. Moreover, considering increasing predictions for a recession today, Federal procurement and contracting become even more important for small businesses.

For almost fifty years, it has been the policy of the Federal government to encourage the participation of small business in Federal procurement and contracting. The Small Business Act requires an affirmative Federal policy of doing business with small businesses, "in order to preserve free competitive enterprise, ensure that a fair portion of the total purchases and contracts for supplies and services for the Government is placed with small businesses, and maintain and strengthen the overall economy of the nation."

For minority and women owned businesses, there is an additional 14th amendment constitutional obligation carried out in Federal law by Title VI of the 1964 Civil Rights Act. In *Fullilove v. Klutz*, the Supreme Court found that Congress had the authority to remediate historic discrimination in contracting through "prospective elimination of . . . barriers . . . to public contracting opportunities." These statutes have been carried out in several ways, including targeting Federal procurement contracts and subcontracts for small businesses, management and technical grants, educational and training support, and surety bond assistance.

It may be that insufficient agency-by-agency oversight contributes to the deficiencies in Federal small business contracting and procurement. The Small Business Administration does do oversight, but there has been little Congressional oversight to hold individual agencies accountable in implementing the small business policies of the Federal government.

At this hearing we are trying to do our due diligence and help provide that accountability as a Subcommittee. The agencies before us today have submitted information to our Subcommittee that indicates that they have endeavored to meet the mandate required by Federal law. Three of these agencies -- the Architect of the Capitol, the Smithsonian Institution, and the John F. Kennedy Performing Arts Center -- technically are not covered by the Small Business Act but have voluntarily chosen to abide by the law.

We look forward to hearing from all of the Federal agencies for which we perform oversight: the General Services Administration, the Federal Emergency Management Agency, the Architect of the Capitol, the Capitol Visitors Center, the Smithsonian, and the John F. Kennedy Performing Arts Center. We thank our small business representatives as well: the National Association of Minority Contractors, Capital City Associates, the Associated General Contractors of America and Catherine Giordano, CEO of Knowledge Information Solutions.