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Before the

Subcommittee on
Readiness and Management Support

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON
DEPARTMENT OF DEFENSE SMALL BUSINESS
TOOLS FOR ENHANCING THE INDUSTRIAL BASE

Wednesday, March 22, 2023

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1 HEARING TO RECEIVE TESTIMONY ON DEPARTMENT OF DEFENSE SMALL
2 BUSINESS TOOLS FOR ENHANCING THE INDUSTRIAL BASE

3
4 Wednesday, March 22, 2023

5
6 U.S. Senate

7 Subcommittee on Readiness and
8 Management Support

9 Committee on Armed Services

10 Washington, D.C.

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12 The subcommittee met, pursuant to notice, at 2:31 p.m.
13 in Room SR-222, Russell Senate Office Building, Hon. Mazie
14 D. Hirono, chairwoman of the subcommittee, presiding.

15 Subcommittee Members Present: Senators Hirono
16 [presiding], Blumenthal, Kaine, Sullivan, Fischer,
17 Tuberville, and Mullin.

1 OPENING STATEMENT OF HON. MAZIE D. HIRONO, U.S.
2 SENATOR FROM HAWAII

3 Senator Hirono: The Subcommittee on Readiness will
4 come to order. Welcome, everyone. Good afternoon, or as we
5 say in Hawaii, aloha everyone.

6 The subcommittee meets today to consider testimony on
7 the Small Business Programs of the Department of Defense and
8 the military departments.

9 Our witnesses today include Mr. Farooq Mitha. Am I
10 pronouncing your name correctly?

11 Mr. Mitha: Yes.

12 Senator Hirono: Sorry. You are over there.

13 Mr. Mitha: Yes.

14 Senator Hirono: Mr. Mitha, the director, Office of
15 Small Business Programs in the DOD; Ms. Kimberly Buehler,
16 director, Army Office of Small Business Programs; Mr. Jimmy
17 Smith, director, Navy Office Small Business Programs, and
18 Mr. Scott Kiser, director, Air Force Small Business
19 Programs.

20 As chair of the subcommittee I am focused on ensuring
21 that our service members and the large military community
22 have the support they need to defend our nation and that
23 means modernizing our military infrastructure to meet the
24 needs of the 21st century and preparing the services to meet
25 the challenges posed by climate change.

1 It also means ensuring our Defense Industrial Base is
2 ready and able to meet future demands, which is why today's
3 hearing is so important.

4 I thank the witnesses for your willingness to share
5 your insights with the subcommittee and for your work to
6 support and strengthen our military.

7 Collectively, you all bring many decades of experience
8 supporting small businesses and that expertise is critical
9 as we consider ways our committee can help you as well as
10 our service members in carrying out our shared mission of
11 ensuring our national security.

12 I hope you will also be able to highlight the vital
13 work small businesses as well as approaches your
14 organizations have taken to help successfully transition
15 product into the hands of our service members.

16 We also welcome your insight into how we can best help
17 transition companies beyond their small business status. We
18 all recognize the critical role that small businesses play
19 in our economy and especially in our Defense Industrial Base
20 ecosystem.

21 Small businesses play a vital role in spurring the kind
22 of innovation necessary for our military to remain
23 competitive and meet the challenges of the 21st century.

24 As noted by the recently released DOD Small Business
25 Strategy, in fiscal year 2021 small businesses numerically

1 made up 73 percent of all companies that did business with
2 the DOD. Additionally, small businesses comprise 77 percent
3 of the research and development companies that did business
4 with the DOD.

5 As I mentioned, especially at a time when being
6 creative is -- and innovative is important this is a really
7 important number, 77 percent.

8 However, in the past decade the number of small
9 businesses participating in the Defense Industrial Base
10 declined by over 40 percent. That is a significant drop in
11 the number of small businesses doing work with the DOD.

12 That is a puzzling and just concerning trend and I hope
13 that our witnesses will be able to shed some light on what
14 you see as the dynamics causing this trend as well as some
15 of the actions the department can take to improve the
16 situation.

17 And this trend begs a number of questions related to
18 our approach to small businesses including how good are our
19 data and matrix in tracking the success or failure of these
20 small businesses in the Defense Industrial Base, especially
21 as they try to contribute to larger competitiveness goals of
22 the departments?

23 Do we have the means to support these businesses while
24 they are small and also to help them transition to grow into
25 medium and large businesses?

1 How could we improve the strategic approach to using
2 and fostering our small businesses to contribute to national
3 security missions?

4 In Hawaii, we know firsthand the importance of small
5 businesses to the success of our armed forces and vice
6 versa, businesses like RevaComm, a software company based in
7 Honolulu. They demonstrate the importance of this
8 relationship between DOD and small businesses.

9 Since 2019 this company has doubled its revenue,
10 created 120 jobs, and expanded its presence to more than 25
11 states. Its success would not have been possible without
12 support from the DOD, which included \$59 million in grants
13 from the Air Force.

14 Thank you again to our witnesses. I look forward to
15 our testimonies, and now I would like to recognize my
16 friend, Ranking Member Senator Sullivan.

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1 STATEMENT OF HON. DAN SULLIVAN, U.S. SENATOR FROM
2 ALASKA

3 Senator Sullivan: Thank you, Madam Chair, and I am
4 honored to be the ranking member on the Readiness
5 Subcommittee.

6 This is the first among equals of the subcommittees.
7 Do not tell any of the other subcommittees about that, but
8 it is true, and I look forward to a robust set of hearings.
9 I am going to just make a statement here, more broadly.

10 Last Congress, we held one hearing in this subcommittee
11 in two years.

12 Senator Hirono: And it was jointly with my committee.

13 Senator Sullivan: One hearing. Okay. No offense, but
14 that is ridiculous.

15 We should be holding at least two hearings a month on
16 readiness. There is nothing more important than the
17 readiness of the U.S. military in this time of great power
18 competition, the new era of authoritarian aggression, to
19 have the most lethal military that can be ready to win wars
20 and fight tonight, right now.

21 So I sure hope and you have my commitment we will do
22 three hearings a month if you want. But one hearing in two
23 years was an abdication of responsibility and we should
24 never do that again on the Readiness Subcommittee. That is
25 just my opening statement on that.

1 Two to three hearings a month. I am ready to ready to
2 do it. Nothing more important than readiness of our
3 military and it is not really ready right now, in my view.

4 So I want to thank the witnesses as well. In January
5 of this year, as the chair mentioned, DOD updated their
6 small business strategy.

7 We actually legislated on this issue in fiscal year
8 2019 in the 2019 NDAA and the whole purpose was to have
9 Congress direct opportunities for our small businesses to
10 support mission execution and the readiness of our forces
11 and we had hoped that a unified small business strategy
12 across the department would expand small business engagement
13 and opportunities across our economy.

14 Unfortunately, as the chair mentioned, there has
15 actually been a very significant decline of small business
16 vendors contracting with the department. So the trends are
17 going the wrong way.

18 I believe that when small business opportunities are in
19 decline it stifles opportunity, innovation, and can lead to
20 increased acquisition costs.

21 One area in particular that I would like to explore
22 that I think matters to many of our community, certainly my
23 state of Alaska, I think, the chair's state -- great state
24 of Hawaii as well -- is the opportunities with native
25 contractors.

1 I have been a strong advocate of the native 8-A
2 government contracting program and one of the reasons is it
3 is a really good match. I like to say the Alaska native
4 community, like lower 48 Indian communities and native
5 Hawaiians, have what I like to refer to as special
6 patriotism -- special patriotism.

7 They serve at higher rates in the U.S. military than
8 any other ethnic group in the country, year after year,
9 generation after generation, even when their country has not
10 always treated them so well.

11 So that kind of special patriotism lends itself to
12 strong support with regard to 8-A opportunities and I think
13 it is another area that can be a critical win-win for those
14 communities, our states, our small businesses, and the
15 Department of Defense.

16 But I hear from many of our small businesses in Alaska
17 about the difficult time they experienced just being able to
18 get their foot in the door of DOD because it is such a big
19 bureaucracy, complicated place to do business, and once they
20 get their foot in the door sometimes it is difficult to
21 maintain the connection.

22 As we all know, small businesses oftentimes do not have
23 the resources to do department wide requirements on issues
24 like cybersecurity, in acquisition reform, and they
25 oftentimes do not have the extra bandwidth to become experts

1 in certain areas that are required in their relationship
2 with the department.

3 So what we want to be able to get from this hearing and
4 what I do, certainly, is how we can improve that process,
5 expanding readiness, expanding the ability of American
6 innovators who might not be the giant military contractors
7 but can disrupt and create opportunities for our military
8 for advancing technology and for the workers of America.

9 We all want to participate in that. We all support our
10 military and having small businesses be a part of that, I
11 think, is a critical function of the department.

12 So thank you again, Madam Chair. I look forward to
13 working with you on numerous, numerous hearings on readiness
14 in the next two years and I appreciate your leadership on
15 this issue.

16 Senator Hirono: Thank you very much. I look forward
17 to working with you also.

18 We will start with Mr. Mitha.

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1 STATEMENT OF FAROOQ A. MITHA, DIRECTOR, OFFICE OF
2 SMALL BUSINESS PROGRAMS, DEPARTMENT OF DEFENSE

3 Mr. Mitha: Chairperson Hirono, Ranking Member
4 Sullivan, and distinguished members of the subcommittee,
5 good afternoon. Thank you for the opportunity to testify
6 today on small business tools within the Department of
7 Defense to enhance the industrial base.

8 My name is Farooq Mitha and I am the director of the
9 Department of Defense Office of Small Business Programs. I
10 report to the Assistant Secretary of Defense for industrial
11 base policy within the under secretary's office for
12 acquisition and sustainment.

13 Today I will discuss tools used to increase small
14 business participation, address small business barriers, and
15 the department's recently released Small Business Strategy.

16 Small businesses make up 99 percent of all businesses
17 in the United States and are a critical contributor to our
18 national security. Last fiscal year, the department spent
19 \$85.2 billion on small business prime contracts and nearly
20 25 percent of the department's prime contracts go to small
21 businesses.

22 Additionally, the department exceeded its goals for
23 small disadvantaged businesses and service-disabled veteran-
24 owned small businesses.

25 Despite their immense value, the number of small

1 businesses in the Defense Industrial Base has declined over
2 the last decade. This is an economic and national security
3 risk for our nation. We risk losing mission critical
4 domestic capabilities, innovation, and strong supply chains.

5 To respond to this the department is working to
6 strengthen our small business supply chains, increase
7 competition, and attract new entrants. I want to
8 specifically highlight a few programs at the department that
9 support enhancing small business participation.

10 These programs include the Mentor-Protege program, the
11 APEX Accelerators, the Rapid Innovation Fund, and the Indian
12 Incentive Program.

13 The Mentor-Protege program enables experienced
14 companies to provide business and developmental assistance
15 to protege firms. The proteges are small businesses from
16 socio economic categories or new entrants, and the
17 mentorship enables proteges to become suppliers as prime and
18 subcontractors to the department and other federal agencies.

19 Today, current and previous proteges contribute more than
20 \$5 billion of work on contracts each year on average.

21 Another key enabler for small businesses is our APEX
22 Accelerators. The department funds 96 APEX Accelerators
23 across the country that assist small businesses by helping
24 them learn how to do business with the government.

25 These Accelerators were previously called Procurement

1 Technical Assistance Centers, or PTACs. After the PTACs
2 moved to my office late last year we rebranded them as our
3 APEX Accelerators and the department is expanding the
4 services they give to small businesses such as training them
5 on cybersecurity requirements and leveraging them for better
6 market research.

7 I would also like to mention the Rapid Innovation Fund
8 and the Indian Incentive Program. The Rapid Innovation Fund
9 is designed to support small businesses and moving
10 technologies from prototype to production while the Indian
11 Incentive Program provides a 5 percent rebate to a prime
12 contractor on the total amount subcontracted to Native
13 American-owned businesses.

14 As you mentioned, in January, the Department released
15 our new Small Business Strategy and the goal of the strategy
16 is to ensure small businesses entering the defense
17 marketplace understand the contracting opportunities,
18 resources available to them, and where to get support.

19 The strategy calls for the establishment of a small
20 business integration group across the department
21 implementing a common training curriculum for our small
22 business professionals in the acquisition workforce and
23 streamlining points of entry into the defense marketplace.

24 As part of the strategy we are also ensuring long-term
25 planning and organizational alignment for programs that

1 drive the small business ecosystem and providing tools to
2 the acquisition workforce such as a robust set of market
3 intelligence tools that can help the efficiency of market
4 research and close equity gaps in the nation's supply
5 chains.

6 Lastly, as a part of our new strategy the department
7 will provide more tools to ease their entry into the defense
8 marketplace. An example is helping small businesses
9 navigate issues that threaten their security.

10 Maintaining cybersecurity readiness and mitigating the
11 risks posed by foreign ownership control and influence, or
12 FOCI, are arguably the most pressing issues faced by small
13 businesses. Our adversaries routinely target small
14 businesses, thus building effective cybersecurity resilience
15 into the Defense Industrial Base for small businesses is a
16 critical national security priority.

17 To bolster those efforts the department provides
18 resources to small businesses on the Project Spectrum
19 platform. Project Spectrum provides companies with the
20 knowledge and tools necessary to protect our nation's most
21 critical assets in cyberspace.

22 The goal is to provide supply chain visibility and
23 assurance of standards, compliance while delivering the
24 industrial cybersecurity tools and techniques that small
25 businesses need.

1 The department is going to expand this risk platform to
2 also include training and tools on due diligence in FOCI
3 that will help small businesses understand and mitigate the
4 risks on those matters as well.

5 I am grateful to the panel for giving me the
6 opportunity to speak today. The department looks forward to
7 implementing the Small Business Strategy to continue this
8 important work that is vital to our national security.

9 I look forward to answering any questions that you may
10 have.

11 [The prepared statement of Mr. Mitha follows:]

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1 Senator Sullivan: [Presiding.] You see I am so
2 motivated on the Readiness Subcommittee I have taken over
3 the chairmanship here.

4 [Laughter.]

5 Senator Sullivan: No, I am just kidding. The chair
6 had to step out.

7 So, Ms. Buehler, can you -- your testimony, please?

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1 STATEMENT OF KIMBERLY D. BUEHLER, DIRECTOR, ARMY
2 OFFICE OF SMALL BUSINESS PROGRAMS, OFFICE OF THE SECRETARY
3 OF THE ARMY

4 Ms. Buehler: Yes. Chairperson Hirono, Ranking Member
5 Sullivan, and distinguished members of the subcommittee, on
6 behalf of the Army senior leaders, thank you for the
7 opportunity to appear before you today and discuss the
8 Army's Small Business Program.

9 As the daughter of a small business owner, I understand
10 that small businesses must be passionate, committed,
11 resilient, and willing to work more hours than it seems are
12 even in a day in order to be successful.

13 The small business entrepreneurs I meet while executing
14 my duties as the Army's Small Business director demonstrate
15 all of these qualities and are fueled by the passion to help
16 the Army fulfill its mission to deploy, fight, and win our
17 nation's wars as part of the joint force.

18 These small businesses are key to executing the
19 National Defense Strategy and building the Army of 2030.
20 They are engines of innovation that fill knowledge and
21 capability gaps, help us maintain readiness, and maintain
22 modernization -- I am sorry, naval modernization.

23 In fiscal year 2022 the Army awarded over \$24.5 billion
24 to small businesses owned by disadvantaged entrepreneurs,
25 including women, veterans, and those living and working in

1 historically underutilized business zones.

2 This equated to over 25 percent of all prime contracts.

3 We exceeded the enhance small disadvantaged business goal
4 by 14.75 percent, which includes award of the \$1.7 billion
5 contract to iHealth Labs, a small disadvantaged business who
6 delivered the rapid antigen test kits for COVID-19
7 distributed through the United States Postal Service.

8 These achievements are consistent with the Army's long
9 history as being a leader for small business achievements in
10 the Department of Defense and across the federal government.

11 The Army is committed to ensuring small businesses have
12 maximum opportunity to perform on contracts at both the
13 prime and subcontract levels.

14 In fiscal year '22 we deployed innovations and issued
15 policy and guidance to increase opportunity, reduce barriers
16 to entry, and improve the professionalism of the small
17 business workforce.

18 For example, in April '22 the Secretary of the Army
19 issued Army wide guidance for the Small Business Programs,
20 which was the first in over a decade. The under secretary
21 of the Army launched a series of five initiatives to help
22 small businesses better collaborate with defense prime
23 integrators.

24 These pilot programs will encourage partnerships, open
25 supply chains, and drive accelerated adoption of technology

1 cultivated through Army and DOD investments.

2 The Small Business Innovation Research program, or
3 SBIR, continues to be a critical enabler of Army
4 modernization and we appreciate Congress' reauthorization of
5 the program.

6 In fiscal year '22 the Army established a contracting
7 Center of Excellence to innovate how we award SBIR Phase I
8 and Phase II contracts. Average time to award is now up to
9 75 percent faster.

10 Based on stakeholder feedback and the reauthorization,
11 the program continues to refine its strategic approach to
12 integrating nontraditional innovators into the Army
13 ecosystem and increasing Phase III awards.

14 In fiscal year '22 the Army executed a total of 153
15 Phase III awards, totaling more than \$318 million to 100
16 unique firms across 26 states. Other notable actions in
17 fiscal year '22 that target small business opportunity
18 include the refresh of the Myth Busters campaign to provide
19 strategies that help acquisition professionals improve
20 industry communication.

21 We have reinstated goals for procurements valued less
22 than a simplified acquisition threshold of \$250,000, conduct
23 regular reporting to the heads of the contracting activity
24 to improve subcontract reporting, publish biannual forecasts
25 of small business opportunities, and we published the first

1 Small Business Professional Talent Management guide in Army
2 history.

3 Finally, the Army stands ready to work with the
4 Department of Defense to implement the recently updated
5 Small Business Strategy and we will publish the Army's
6 updated strategy this fiscal year.

7 I would like to thank Congress for supporting our
8 soldiers, our civilians, and the Small Business Programs.
9 Working together, we can continue to ensure we provide
10 maximum contracting opportunity for the small business
11 entrepreneurs that drive our economy and deliver capability
12 to our soldiers.

13 I look forward to addressing your questions this
14 afternoon.

15 [The prepared statement of Ms. Buehler follows:]

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1 Senator Sullivan: Great. Thank you, Ms. Buehler.
2 And, Mr. Smith, the floor is yours.

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1 STATEMENT OF JIMMY D. SMITH, DIRECTOR, OFFICE OF SMALL
2 BUSINESS PROGRAMS, DEPARTMENT OF THE NAVY

3 Mr. Smith: Chair Hirono, Ranking Member Sullivan,
4 members of the subcommittee, it is an honor to appear before
5 you here today.

6 On behalf of the Secretary of the Navy, the Department
7 of the Navy leadership, thank you for your continued support
8 to our sailors and Marines, civilian workforce, industry
9 partners, in particular, the small business community.

10 A healthy small business industrial base will continue
11 to be vital to the long-term success and affordability of
12 the Department of the Navy as well as our national security.

13 Increasing opportunities for small businesses is a high
14 priority and focus for the Department of the Navy. The
15 Department of the Navy's senior leaders must ensure that
16 Navy and Marine Corps acquisition activities are aligned to
17 the Secretary of Defense three small business priorities,
18 which are increasing the share of small business dollars,
19 lowering barriers to entry, and increasing competition for
20 small businesses and traditionally underserved
21 entrepreneurs.

22 In fiscal year '22 the Department of the Navy awarded
23 \$94 billion in prime contract awards. Nearly 20 percent of
24 that went to small businesses that served as prime
25 contractors.

1 This 20 percent equates to \$18.4 billion awarded to
2 small businesses. It also represents an increase over the
3 fiscal year '21 number, which was \$17.3 billion awarded to
4 small businesses.

5 In fiscal year '22 the Department of the Navy exceeded
6 its goals for women-owned, service-disabled veteran-owned,
7 historically underutilized business zones small businesses.
8 The Department of the Navy increased its small disadvantaged
9 business targets significantly in fiscal year '22 in
10 response to President Biden's Executive Order 13985.

11 Our proactive posturing resulted in the Department of
12 the Navy's four-year run of exceeding its goals in all four
13 socio economic categories to be broken by aggressively
14 targeting the 1 percent short for small, disadvantaged
15 businesses.

16 The Department of the Navy continues to blaze new
17 trails as the Secretary of the Navy continues to lead from
18 the front. In addition to his regular meetings with
19 industry partners, he conducts small business roundtables
20 and he also established and led two small business executive
21 offsites within the Department of the Navy.

22 These offsites require that the 10 commanders that
23 oversee our major buying commands and the 18 program
24 executive officers reflect back on their small business
25 opportunities and performance against their fiscal year '22

1 small business goals and then we spent time discussing the
2 fiscal year '23 small business execution plans.

3 Furthermore, SecNav challenged these senior leaders to
4 disaggregate previously held large and omnibus contracts to
5 afford small businesses the opportunity to compete for prime
6 contracting opportunities.

7 Supporting this stance, the Secretary of the Navy then
8 tasked my office, my team, with creating a policy to
9 leverage OMB's memo entitled "Advancing Equity in Small
10 Business" to strengthen accountability of the Department of
11 the Navy senior leaders and meeting the goals established in
12 each socio economic category, thereby strengthening and
13 increasing small business industrial capacity.

14 This direct communication with the Department of the
15 Navy senior leaders and the accountability measures effected
16 through their performance plans has yielded unparalleled
17 increases in outreach efforts throughout the Department of
18 the Navy.

19 My team and I attribute the majority of the increase of
20 the small business performance to SecNav's hands-on approach
21 to increasing small business and giving them the opportunity
22 to provide warfighting capability to the Navy's mission.

23 In conclusion, the small businesses that are essential
24 to the healthy defense base we need you working on our
25 hardest problems. You bring about innovation, you bring

1 about capability and technology, and we afford opportunities
2 to work with you. The department recognizes that there are
3 incredible resources available for this adaptability. The
4 Department of the Navy is committed to these opportunities
5 and removing barriers to doing business with us.

6 Thank you again for your leadership of this committee
7 and the oversight of interest in the Department of the Navy.

8 To my Navy small business team, thank you for the
9 outstanding work you do in support of the Navy mission.

10 I look forward to your questions.

11 [The prepared statement of Mr. Smith follows:]

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1 Senator Hirono: [Presiding.] Thank you very much.

2 Mr. Kiser?

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1 STATEMENT OF SCOTT A. KISER, DIRECTOR, AIR FORCE SMALL
2 BUSINESS PROGRAMS, DEPARTMENT OF THE AIR FORCE

3 Mr. Kiser: Good afternoon, Chair Hirono, Ranking
4 Member Sullivan, and members of the subcommittee.

5 My name is Scott Kiser and I currently serve as the
6 director of Small Business Programs for the Department of
7 the Air Force, covering both the United States Air Force and
8 the United States Space Force.

9 Thank you for the privilege to be sharing our
10 perspective on small business tools and for enhancing the
11 Defense Industrial Base.

12 It is good to see that you, Madam Chair, and Senator
13 Shaheen and Duckworth also serve on the Senate Committee on
14 Small Business and Entrepreneurship.

15 We value your continued support for small business, for
16 our civilian employees, and our uniformed military members
17 who serve as small business professionals.

18 Our fiscal year '22 small business participation record
19 is strong. For the third year in a row the Department of
20 the Air Force exceeded all small business goals as well as
21 each of the subcategories, awarding a record 22.9 percent of
22 all eligible DAF contracts, representing \$15.6 billion
23 direct to small business.

24 Small disadvantaged businesses, SDBs, owned by
25 disadvantaged individuals -- Native American tribes, Native

1 Hawaiian organizations and Alaskan Native corporations --
2 receive 10.12 percent. Goals for service-disabled veteran-
3 owned small business, women-owned small businesses, and
4 historically underutilized business zone -- HUBZone -- small
5 businesses were also all exceeded.

6 This industrial base is broad from R&D to construction
7 to information technology to manufacturing. For example, an
8 ANC-owned small disadvantaged business was chosen as the
9 best value for aircraft logistics at the United States Air
10 Force Academy, a contract worth over \$109 million.

11 Small businesses are known as the engines of
12 innovation. We agree. Last year we obligated 19.7 percent
13 of all eligible R&D contracts over \$2.7 billion to small
14 firms. Spend under Small Business Innovation Research --
15 SBIR -- and Small Business Technology Transfer -- STTR --
16 for technological feasibility, further research, and
17 prototyping reached just over \$1 billion.

18 Our technology transition is strong. In fiscal year
19 '22 we awarded SIBR/STTR Phase III contracts with a ceiling
20 value of almost \$2 billion with nearly \$1.8 billion awarded
21 to small firms.

22 Our fiscal year '22 eligible Phase III contract
23 obligations reached \$772 million from under \$300 million in
24 fiscal year '18. Of those \$772 million small firms got \$627
25 million. We made almost half of DOD wide Phase III

1 obligations.

2 The most important tool on which these successes hinge
3 is our small business professional workforce, which assists
4 small firms and advocates for the participation and
5 innovations in the acquisition process.

6 I lead a small business community of 162 small business
7 subject matter experts, about half of which are dual hatted
8 in their responsibility and roles. Small business
9 professionals work hard. Last year's average was about 642
10 contracting action per SBP under purview, an increase from
11 625 the year prior.

12 To drive strategic improvements we organized small
13 business professionals into what we call a DAF Small
14 Business Board of Directors and employed the objectives and
15 key results management model from leading private sector
16 organizations.

17 We used the OKR model to pursue broad lines of lines of
18 effort under our BOD structure. The small business
19 professionals on each LOE team develop the OKRs to support
20 that team's objectives.

21 OKRs address training and fill the workforce,
22 deployment of effective guidance for small business
23 contracting methods, data, goaling metrics, improved
24 outreach and reduction of entry barriers, and mainstreaming
25 they used the SBIR/STTR Phase III in acquisition planning.

1 Thanks to the OKRs our small business professionals
2 carried out a record number of outreach activities, last
3 year increasing 45.7 percent of audience over fiscal year
4 '21, both virtual and in-person audience members.

5 We even sent our SBIR/STTR expert to speak in Hawaii at
6 the governor's invitation last October. The OKR
7 methodology-based policy changes have helped small business
8 firms receive 78.2 percent of DAF's simplified acquisition
9 threshold level spend.

10 Despite all our successes, we know small business firms
11 continue to face challenges doing business with the DAF and
12 the DOD in general. We take this seriously implementing the
13 new DOD Small Business Strategy. We have assigned the
14 strategy's 23 action items into our BOD's LOE teams and they
15 have worked it into that so we can track our progress on a
16 monthly basis.

17 We have provided the DOD Office of Small Business
18 Programs for appropriate action the DAF strategy resourcing
19 estimate, matching action items to the existing or
20 additional personnel as approved by our under secretary with
21 the concurrence of the chief and vice chief of both Air
22 Force and Space Force.

23 Thank you again for this opportunity to testify and
24 share the small business perspective. We look forward to
25 answering your questions.

[The prepared statement of Mr. Kiser follows:]

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1 Senator Hirono: Thank you very much. I will start
2 with the questions.

3 First of all, let us get a definition of small business
4 from you, Mr. Mitha.

5 Mr. Mitha: Thank you for that question. So the small
6 business depends on the NAICS codes that are established by
7 the Department of Commerce -- the North American Industry
8 Classification Codes -- for each industry have size
9 standards that are issued by the SBA and those size
10 standards vary based on either average revenues or by
11 individuals.

12 For services type work it is generally an average of
13 about \$16 million of average revenues and for manufacturing
14 it is an average about 500 employees. It depends on the
15 class -- it depends on the industry classification.

16 Senator Hirono: When we talk about the thousands of
17 small businesses that contract with the DOD, though, are we
18 talking about businesses that have 500-plus employees?

19 Mr. Mitha: Some.

20 Senator Hirono: What is the average? Because I would
21 like to get a picture of the kinds of businesses that you
22 all are contracting with and I take it you all use the same
23 definition, even if they are different depending what the
24 industry or whatever the definitional basis is so you all
25 use the same.

1 So what are we talking about? Really small businesses
2 like a hundred? Is that an average kind of a small
3 business? Or are we talking about 500?

4 Mr. Mitha: I would say it depends. I do not have an
5 exact answer on the average. But I would say that for
6 professional service type work where we look at revenues it
7 is in that revenue range of probably \$10 million dollars and
8 less in revenues in those types of companies, and for
9 manufacturers it is harder to tell, from my view, but it
10 could be in that 500 range. Yes.

11 Senator Hirono: I would like to continue with you that
12 is there is a drop in the number of small businesses now
13 participating in DOD contracts and this is for each of you.
14 What do you think is accounting for this drop and what
15 specifically are you doing?

16 You all cited a number of outreach kinds of programs
17 that you are doing but what -- which of these programs is
18 going to enable you to increase -- I take it that is a goal
19 -- increase the number of small businesses that are working
20 with each of you?

21 Mr. Mitha: So I can tell you a couple of things from
22 the OSD level that we are doing. I think some of the policy
23 changes that we have enacted we hope will reverse that
24 decline.

25 We sent out some guidance to our workforce based off of

1 an OMB memo that will enable us to have more set aside
2 competitions for small businesses in our socio economic
3 groups.

4 In terms of category management type policies we have
5 deemphasized the use of best in class vehicles where we can
6 -- where we want to encourage our workforce -- we are
7 encouraging our workforce to use vehicles that have more
8 small businesses on them and to have more small business set
9 asides.

10 We are also -- we have also sent out guidance to our
11 workforce on decreasing the bundling and consolidation of
12 contracts and breaking out contracting opportunities where
13 we have bundled contracts for small businesses, and on the
14 outreach front we now have at the office of the Secretary of
15 Defense level these 96 APEX Accelerators that I mentioned,
16 and we are really leveraging them to be our front door to
17 industry and by them moving -- they were previously at DLA
18 -- the Defense Logistics Agency.

19 Now they are in my organization where they can be more
20 integrated into our broader industrial base activities. So
21 that outreach and training and support that we are going to
22 provide hopefully will increase.

23 Senator Hirono: I want to give the other panelists a
24 chance.

25 So I take it all of you do have the goal of wanting to

1 increase the number of small businesses that receive
2 contracts from you. So would you like to add something, Ms.
3 Buehler?

4 Ms. Buehler: Yes, Senator.

5 So in the Army it really is about -- it is definitely
6 about opportunity. So we are working to make sure that
7 small businesses are aware of what opportunities are out
8 there early enough so we publish acquisition forecasts in
9 both January and June of each fiscal year.

10 That gives them, the small businesses, the opportunity
11 to directly engage with the contracting and small business
12 professionals to influence the acquisition strategy for
13 those procurements.

14 We are -- reestablished simplified acquisition
15 threshold goals. So in accordance with the federal
16 acquisition regulations, all small biz -- all procurements
17 valued under \$250,000 -- are supposed to be reserved for
18 small business performance.

19 So, of course, there is reasons why that is not always
20 possible. But we are pushing our contracting officers and
21 requiring activities to expand those opportunities and make
22 sure that a higher percentage share does go to those
23 companies.

24 So that is a big push and we are -- we revised our
25 category management policy from back in 2021 to make it more

1 small business friendly, and the Secretary of the Army, when
2 she issued her memo to all Army, not only hold senior
3 leaders accountable for providing small business opportunity
4 but also reinforces the importance of our small business
5 workforce being at the table early during market research
6 and acquisition planning to influence positive outcomes for
7 small business.

8 Senator Hirono: Mr. Smith?

9 Mr. Smith: In keeping with my sister service here in
10 the Army, we are doing the exact same thing. One of the
11 things that I would highlight in addition to what Navy's
12 doing, virtual engagements.

13 Because of COVID things went down dramatically from our
14 ability to reach people in person. We have expanded our
15 social media footprint to areas that I never thought we
16 would go in order to use that mechanism to let the public
17 know, let industry partners know, that we are open for
18 business.

19 And if you look at our long-range acquisition forecast
20 you can see every single solicitation that we plan on
21 awarding across the Department of the Navy between now and
22 five and even six years off into the future.

23 So you can plan tactically, you can plan strategically
24 on opportunities that you want to investigate and
25 potentially bid on from a Department of Navy standpoint.

1 So providing transparency, providing outreach, going to
2 where people are in order for them to know that you are open
3 for business, that is where we are doing it in a magnificent
4 way.

5 Disaggregating contracts -- that is another great
6 opportunity where you take what used to be a very large
7 contract and you are breaking it into individual pieces so
8 the small businesses can participate. That is what we are
9 doing and it is reaping significant results that we have
10 never across all of us have seen in the last six, seven,
11 eight years.

12 Senator Hirono: Just because you break the large
13 contracts into smaller contracts does it not affect the
14 effectiveness or the -- what you are getting out of breaking
15 down the contract?

16 Mr. Smith: No, ma'am.

17 So the first thing we have to do first is meet the
18 mission. We are not just here in the business of giving
19 contracts to people just to pass money down the line. You
20 have to meet and support the mission in every single one of
21 our cases, first and foremost.

22 Senator Hirono: Thank you for that reassurance.

23 Mr. Kiser?

24 Mr. Kiser: Thank you, Madam Chair, for the question.

25 Similar to the other services, but we also work in

1 tandem. For example, in terms of those outreach we will
2 also go to Navy. Department of the Air Force will represent
3 at the Navy Gold Coast outreach events, the AUSA outreach
4 events, because some of those small businesses may have been
5 focused on one military service. So we do a lot of cross
6 service opportunities for those small businesses.

7 Secondly, in terms of increasing some of those
8 opportunities, even on large contracts we had a recent
9 effort where an enterprise wide contract on IT we used the
10 authorities within the GSA, which allows a contractor
11 teaming arrangement where you might have a large lead but it
12 then brings in many small IT companies to get this.

13 The service gets the credit in terms of percentages and
14 dollars. However, what this gives a lot of small businesses
15 an opportunity to work on a much bigger contract than they
16 might otherwise to continue their steps one by one further
17 up the ladder.

18 Senator Hirono: Thank you. I have gone over so --

19 Senator Sullivan: Okay. Thank you, Madam Chair.

20 Senator Hirono: -- Senator Sullivan, feel free to go
21 three minutes over.

22 Senator Sullivan: Sure.

23 Mr. Mitha, I want to press -- I read your Hill op-ed
24 and I do want to press a little bit more on the statement
25 that you made there about -- you kind of talked a lot about

1 the statistics. But then you said sounds like a great
2 success story. However, despite their immense value, the
3 number of small businesses in the U.S. industrial base has
4 declined by 40 percent in the last decade.

5 Senator Hirono kind of asked you why you think that
6 happened. You did not really get into it. Do you have
7 details of why you think that happened?

8 Because I think we -- a lot of the testimony here was
9 how great things are going. Forty percent decline is not
10 great. So what specifically do you think that is and then
11 how do we work to address it?

12 Mr. Mitha: I think there are several reasons. One
13 reason, I think, is the complexity of doing business with
14 the Department of Defense.

15 Senator Sullivan: Yeah. That is a huge issue, right,
16 and I think we all got to get our arms around it. We all
17 got to recognize that the Pentagon is a giant bureaucracy
18 and it can just be exhausting for small businesses to break
19 through and I think that is kind of the key mission of each
20 of the witnesses here, is it not?

21 Mr. Mitha: Yes.

22 Senator Sullivan: Okay. Good. What else?

23 Mr. Mitha: I think another reason is we have seen some
24 of our practices of how we manage our contracting policies
25 like category management. A lot -- when I first started in

1 this job a lot of small business industry groups came and
2 said, hey, with category management we feel like we have
3 been left out because if we are not on the vehicle we would
4 not see the opportunity, would not be able to compete for
5 it.

6 Senator Sullivan: Right.

7 Mr. Mitha: That is why we sent the memo out that I
8 referenced earlier where we are now giving tier two credit
9 to small business set asides or any small business awards to
10 companies in socio economic categories. We can go outside
11 of those vehicles and do more set aside competitions as
12 well.

13 Senator Sullivan: Let me ask -- back to the 8-A
14 contractors and the partnership that each of the services
15 have with them, what specifically is your service working on
16 to deepen that partnership?

17 I think it is a great opportunity to bring these
18 numbers up. This goes for disadvantaged communities, rural
19 communities. Like I said, in my state it is primarily the
20 Alaska Native Corporations and tribes and ANCs that really
21 can bring benefits to very rural parts of Alaska, very rural
22 parts of America and indigenous communities.

23 So can I ask each of the services what you are doing
24 specifically that relates to both near and long-term
25 opportunities with 8-A contractors? Why do we not start

1 with you, Ms. Buehler?

2 Ms. Buehler: Yes. So absolutely recognize the
3 importance of the 8-A business development program in
4 advancing opportunity for small business, particularly
5 disadvantaged populations.

6 We have the most aggressive goal for small
7 disadvantaged business, which includes the 8-A portfolio in
8 the Department of Army. Our goal for fiscal year '23 is 15
9 percent.

10 Senator Sullivan: Okay. But what are you doing
11 specifically?

12 Ms. Buehler: Yes, sir. Yes, Senator.

13 So we are developing strategic partnerships with our 8-
14 A companies, particularly you mentioned the Alaska Native
15 Corporations. I recently went out and visited with the
16 Akima group and met with their shareholders as well as the
17 leads from all of their business lines of effort. That was
18 a key engagement.

19 I intend to replicate that with other organizations and
20 expand that kind of a partnership. We are, again, making
21 sure that we are going after and setting aside those
22 business opportunities at that very tactical level, making
23 sure that our small business professionals are empowered to
24 actually make things happen and create opportunity and where
25 we are using our virtual vendor engagements to conduct

1 enhanced outreach just my partner over here, Mr. Smith,
2 mentioned.

3 We have had one focus singularly on the small
4 disadvantaged business and 8-A population, trying to make
5 sure that they know that the door is open from the Army and
6 we want to create opportunity with them.

7 Senator Sullivan: Great. Good.

8 Mr. Smith, what about you --

9 Mr. Smith: Yes, sir.

10 Senator Sullivan: -- on the same question?

11 Mr. Smith: So last fiscal year we reached a pretty
12 unique engagement with the Small Business Administration on
13 the 8-A program.

14 Senator Sullivan: So does it take a lot of
15 coordination with SBA --

16 Mr. Smith: It does.

17 Senator Sullivan: -- in the work you are doing? So
18 that has got to be a key element of --

19 Mr. Smith: It does. It absolutely does and --

20 Senator Sullivan: Do you think that is going well with
21 SBA?

22 Mr. Smith: It is going absolutely well. So at the end
23 of last fiscal year I reached out to my counterpart over in
24 the 8-A program at Small Business Administration --

25 Senator Sullivan: Good.

1 Mr. Smith: -- and I said one of the barriers to doing
2 business with the Department of the Navy is past
3 performance. If our industry partners do not have past
4 performance you typically do not get work from us.

5 Senator Sullivan: Right. And how do you ever get out
6 of that loop?

7 Mr. Smith: So I cannot --

8 Senator Sullivan: If you do not have past performance
9 you cannot start.

10 Mr. Smith: We actually worked out a pretty good deal
11 with the SBA.

12 Senator Sullivan: Okay. What is it?

13 Mr. Smith: So I contacted my counterpart and he said,
14 what if we came to an arrangement where my PCRs, his folks
15 that are in the field that know what these local companies
16 can do, vouch for them to be able to do work for us? Can we
17 take a government person's vouching for a company --

18 Senator Sullivan: Even though they have not done DOD
19 --

20 Mr. Smith: Even though they have not done it for DOD,
21 and in many cases we asked that -- let us take in the case
22 of building a firehouse. A firehouse is a firehouse is a
23 firehouse. But if you have never built one for us we hold
24 that back from you.

25 But if that local PCR can tell us that we have seen

1 this company build a firehouse in our local community for
2 state and municipal reasons they can do it for us. And we
3 actually pulled out of their list of over 1,400 companies in
4 the 8-A program that have never won a contract. We pulled
5 40 companies off of that list last quarter just because we
6 had an engagement with one another on this company is good,
7 take them forward, and we are watching those companies now
8 for the execution of those contracts.

9 Senator Sullivan: Right.

10 Mr. Smith: As we mentioned, it is not about giving
11 money away. This is all about --

12 Senator Sullivan: Well, of course. This is all about
13 readiness, lethality, winning wars.

14 Mr. Smith: Absolutely.

15 Senator Sullivan: That is what this committee is all
16 about.

17 Mr. Smith: So engaging the Small Business
18 Administration on the 8-A program from a one-on-one
19 standpoint for opportunities to expand and grow work.

20 Senator Sullivan: Okay. Good. That is a good
21 example. What about you, Mr. Kiser?

22 Mr. Kiser: Good afternoon. Thanks for the question.

23 Following on and, perhaps, some additional information
24 is we are negotiating with the SBA on those 8-A
25 partnerships. We are getting the SBA to share with us their

1 information on their most recent new 8-A firms.

2 Secondly, from our staff last June we sent our director
3 staff, Mr. Mike McWilliams, who is here with us today, to
4 Alaska to the 8-A conference that is held in June each year
5 and we will be sending it as we traditionally do in terms of
6 that outreach.

7 Similarly, in April we will be going to the NHOA
8 conference in Hawaii once again for the outreach to as many
9 organizations as we can possibly get to, and we look to --
10 in terms of the Mentor-Protege program, we target those in
11 the tribal organizations as well.

12 Senator Sullivan: Can I ask about that, because that
13 was actually one of my questions? The Mentor-Protege
14 program is a really good idea. But I worry that it is hard
15 to get that kind of program out into the rural communities,
16 right.

17 So are you -- when you talk about it you mentioned you
18 are targeting Native communities and rural communities with
19 that program. Are all of you doing that? Because sounds
20 like a great program, looks like it is working, but I worry
21 that it is tough to get to a small Alaska Native village
22 with a program like that.

23 So are you considering those kind of entities to make
24 sure they can benefit from a program like that as well?

25 Mr. Kiser: Absolutely, and I am trying to find the

1 list. I think we have one in place already in Alaska. I am
2 just -- but once again, it is trying to make people aware --
3 first, increase the awareness of those kind of
4 opportunities. True, the manufacturing overall base may not
5 be the same in every location but we are trying to start
6 that conversation and get it going.

7 Senator Sullivan: Right.

8 Mr. Kiser: I think we have one already in place. I am
9 looking for the list.

10 Senator Sullivan: Okay. Well, we will stand by.
11 Thank you, Madam Chair.

12 Senator Hirono: I would like to start round two of
13 questioning.

14 Senator Sullivan: Sure.

15 Senator Hirono: So yes, I have a question about the
16 Mentor-Protege program. I take it that that is a very
17 successful way of enabling more small businesses to engage
18 or have contracts with the DOD.

19 So what do you do? Do you put out a call for
20 volunteers to be mentors and then you match them up with
21 proteges? Is that how each of you is doing this program?

22 Mr. Mitha: I can start. So the Mentor -- so each
23 component services and DOD components are participants in
24 the program. The funding comes to my office. They put out
25 their requirements of different topics from the services and

1 components for agreements that they would like to fund and
2 the mentors apply to be mentors and there are certain
3 statutory requirements to be a mentor.

4 Once those mentors are approved they can team up with a
5 protege firm, ideally, a small, disadvantaged or socio
6 economic firm they have a relationship with and they give us
7 a proposal that we then fund through an agreement where we
8 reimburse the costs to the mentor for the business
9 developmental assistance they provide to the protege or we
10 give them subcontracting credit towards their goals.

11 Senator Hirono: Do all the services have this Mentor-
12 Protege program? Army?

13 Mr. Smith: [Off mic.]

14 Senator Hirono: Okay. And is it working out well? Is
15 it growing?

16 Mr. Smith: In the case of the Navy we have four
17 current protege agreements. We have three already in the
18 works for this year and I believe we will have three more
19 added on to that once the industry partners make that
20 teaming agreement with one another. Then they present it to
21 the Navy. So I will have 10 here relatively this year is
22 what I will --

23 Senator Hirono: Do you have some kind of numerical
24 goals, each of you, for the Mentor-Protege program?

25 Mr. Smith: I will tell you the Navy is trying to catch

1 up in this regard. My colleagues on my left and my right
2 are leading the Navy right now.

3 Senator Hirono: I am sorry. Did you say you have a
4 numerical goal?

5 Mr. Smith: I think we think it is a fair share kind of
6 opportunity and money is the driver at the end of it -- how
7 much money is in the pie.

8 Senator Hirono: Oh, okay.

9 Ms. Buehler: Yes, Senator. So the Army has six active
10 agreements. We recently changed our processes so that we
11 have a year-long open solicitation so that Mentor-Protege
12 proposals can come in at any point during that year.

13 So that gives industry the ability to come to us on
14 their timetable and not necessarily on ours, right. So it
15 gives them much more flexibility to work those relationships
16 and those agreements and we are very excited to onboard new
17 agreements this fiscal year.

18 Senator Hirono: So, like Senator Sullivan, I have a
19 commitment to the 8-A entities and for a number of them I
20 think one of the biggest barriers in dealing with the DOD is
21 just the complexity of dealing with them, as you say, Mr.
22 Mitha.

23 So name one thing that each of you did to make the
24 whole contracting process less complicated for small
25 businesses.

1 Mr. Mitha: One thing that we are doing right now is
2 creating a single entry point for small businesses into the
3 defense marketplace.

4 So my office's website is business.defense.gov and we
5 are creating that into a one-stop shop which will have all
6 the forecasting, all the different small business programs,
7 all the resources that are available, so a company will not
8 have to go to 20 different websites to figure out how to do
9 business with us. So that is one thing that we are working
10 on right now.

11 Senator Hirono: Would you like to add that?

12 Ms. Buehler: Yes. So with -- in the Army, we were
13 using OTAs as another mechanism -- other transaction
14 authority as a mechanism to expand our nontraditional vendor
15 base that is participating on our critical technology areas
16 and that is a low barrier entry program where we can reach
17 those companies that have no experience or limited
18 experience working with the government. So that has been an
19 effective tool for us in trying to reach new vendor
20 populations.

21 Senator Hirono: Mr. Smith?

22 Mr. Smith: Reintroducing people to a tool that has
23 been in the toolbox for a while. You can actually award up
24 to \$100 million contract to a 8-A company on a letter
25 contract. So pulling that tool back, letting our

1 contracting officers know that they can use that instead of
2 having to compete everything and run down the formal process
3 we brought that back and resurrected it in a magnificent
4 way.

5 Senator Hirono: Mr. Kiser?

6 Mr. Kiser: Yes. Once again, similar activities. We
7 also use Phase III to go make direct awards to speed the
8 process, and also going back to add on to the previous
9 comment on the MPPs and the Native American organizations,
10 MPP -- we have had two agreements. One is already done and
11 complete and that was in Montana. The second is current and
12 active and in the state of North Dakota.

13 Senator Hirono: Thank you.

14 Senator Kaine?

15 Senator Kaine: Thank you to our chair and ranking, and
16 thanks for doing this hearing today.

17 There is a report by the National Academies of
18 Sciences, Engineering, and Medicine identified that the
19 goals of the SBIR program and the Small Business Technology
20 Transfer program might be in conflict, particularly in the
21 effect that commercialization can be overemphasized as a
22 metric for success.

23 Does the recently released strategy that you all have
24 put together address the priority of commercialization
25 relative to other priorities -- stimulating innovation,

1 meeting federal R&D needs, fostering diversity? How do you
2 deal with that potential conflict in the report that you
3 have done?

4 First, Mr. Mitha.

5 Mr. Mitha: Sure. Yes, we do emphasize the importance
6 of both commercialization and helping small companies go
7 from prototype to production.

8 I hope this answers the question but I kind of view it
9 as a pipeline where we have dollars that we spend on
10 prototyping through our labs and using our other transaction
11 authorities and programs like SBIR.

12 We want those companies ideally to mature and develop
13 those technologies to meet our mission needs. So we talk in
14 the Small Business Strategy about how our various small
15 business programs can work better together in a more
16 integrated way to help mature the technologies along so they
17 can actually get fielded into a system and commercialized.

18 Senator Kaine: Thank you for that.

19 Mr. Smith, I want to ask you this. In your written
20 testimony you indicated that the Secretary of the Navy Del
21 Toro directed your office to ensure that small business
22 considerations are included very early in the acquisitions
23 process -- that is good -- but that you do not have specific
24 metrics to assess the impact of those efforts.

25 So I am a big believer that if you do not measure it

1 you never get to where you want to go. Data and metrics are
2 really necessary for making informed decisions about the
3 effectiveness of an effort such as the one we would all want
4 to undertake.

5 So are you working on how you could develop metrics
6 that would determine the success of the efforts that -- to
7 expand our small business partnerships?

8 Mr. Smith: Thank you for the question.

9 Developing the metrics is very important. Holding
10 people accountable, we feel, at this particular stage of the
11 game is even more important.

12 It is not just the small business professionals'
13 responsibility to be the advocate for small businesses. All
14 acquisition professionals across the entire Department of
15 the Navy have the responsibility to live up to these goals
16 and responsibilities and we want to make sure that you are
17 in the conversation early instead of after you sealed up an
18 acquisition/solicitation opportunity and you are ready to go
19 award. The small business person does not come flying in at
20 the end of the day. Those considerations are baked in
21 upfront.

22 Measuring it, I think, it is important, but holding
23 people accountable through their performance on their jobs
24 to do their jobs is where we hold people accountable.

25 Senator Kaine: Given that Secretary Del Toro not only

1 had a distinguished career as a Navy surface ship officer --

2 Mr. Smith: Yes, sir.

3 Senator Kaine: -- but also started a small business
4 that --

5 Mr. Smith: Yes, sir.

6 Senator Kaine: -- did work in this space, I am
7 assuming he is pretty focused on this and holding people
8 accountable for it.

9 Mr. Smith: Sir, Secretary del Toro has helped me just
10 about every single day he has been on the job. He is a
11 small business owner for 17 years and he came in with that
12 passion and enthusiasm to make sure that small businesses
13 did not go through some of the challenges that he
14 experienced as a small business owner, and we have changed
15 culture because of that influence and added focus.

16 Senator Kaine: I am going to ask an open-ended
17 question if I can, Madam Chair, and just hope that all might
18 just address it a little bit.

19 In the work that you are doing I am assuming you are
20 hearing what I am hearing as I am talking to small, medium,
21 and large businesses. I am Sea Power chair so I do a lot in
22 the shipbuilding/ship repair space. It is hard to hire
23 people.

24 So you can have the best programs you want in terms of
25 small business partnerships but if they are struggling with

1 workforce issues it is going to be hard to have programs
2 that will really be successful.

3 And I do not view this issue as one that is getting
4 easier. We just made a historic commitment to
5 infrastructure, who is going to build it. We have just made
6 a historic commitment in the CHIPS and manufacturing bill to
7 manufacturing. Who is going to fill those jobs?

8 So we are ready to make a lot of investments. I think
9 this is going to make the challenge even tougher. So in
10 each of your spaces, if you could -- my time is about up --
11 but I would love to hear what you are hearing from your
12 small business partners and are you engaged with them in
13 creative strategies around the workforce question that the
14 committee should know about so maybe we can try to amplify
15 or expand them?

16 Mr. Mitha: Yes, I am hearing that from small
17 companies, especially in manufacturing and in certain
18 sectors that are very important to us.

19 One of the things that I am hoping that we can do from
20 my office's purview is use our 96 APEX Accelerators that are
21 out in the field across the country to do a better job of
22 talent matching.

23 So if a company wins a contract they can go to them,
24 and those folks are tapped into the workforce development
25 training programs and could actually be a connector between

1 the two.

2 Ms. Buehler: Yes, I am hearing the same thing from
3 small businesses. It is one of the challenges that they
4 have, in addition to the regular challenges that you have
5 running a small business, and it is very important to us
6 when we are making contract awards to these companies that
7 they are going to be able to perform.

8 So we need to understand the industry dynamics and what
9 conditions they are facing and we are trying to incorporate
10 that and include that as part of our market research to make
11 sure that we understand because it also impacts the price
12 that we are going to pay, at the end of the day. So it
13 helps us to also prioritize what we are going to be able to
14 actually buy.

15 Senator Kaine: Thanks, Ms. Buehler.

16 Mr. Smith?

17 Mr. Smith: So I have seen the exact same result. I
18 have actually watched small business industry partners team
19 in a way that I have not seen some of the larger businesses
20 do. Reaching out to the local community colleges, reaching
21 out to the colleges and universities to build a pipeline of
22 talent that you need upon graduation to join the workforce.

23 If you do not start early, hoping to get them at the
24 end and when they are ready to go is a wish. Building
25 dedication, loyalty, and commitment early on, I think that

1 transfers volumes and I think more need to do that. But we
2 are all starving for talent.

3 Senator Kaine: Right.

4 And Mr. Kiser?

5 Mr. Kiser: Once again, you are spot on and that, I
6 think, is probably more systemic across our entire nation of
7 every kind of hands-on skill. Watch the financial news
8 network activity.

9 About a week ago where the CEO was exemplifying,
10 verbalizing, exactly what you said and as they talked with
11 this CEO she indicated cannot get those skills. I could be
12 making millions more dollars. And this is a total non-DOD
13 company that was having -- facing the same challenges.

14 Now, Senator Mullin was here. From my time at Tinker
15 Air Force Base I remember they had several technical schools
16 focused on aviation in the state of Oklahoma -- that he
17 might be able to learn how do they do it and part of that
18 was to build -- to bring some aircraft maintenance
19 capabilities and skills to Tinker Air Force Base.

20 But at the same time at Tulsa, Oklahoma, you had the
21 American Airlines has their huge maintenance facility there.

22 So it is how do we get these technical schools with the
23 technical degrees, bring the young people in who are going
24 to put the hands on because not everybody wants to do this
25 so how do we incentivize that. That will be a bigger issue

1 beyond just the DOD small business and for our nation.

2 Thank you.

3 Senator Kaine: As I yield back, Madam Chair, I know
4 many of us are really coming to this realization that we are
5 not going to completely train our way out of this without an
6 immigration reform bill, and it can be very workforce
7 focused, I mean, and it probably should be with unemployment
8 rate is the lowest it has been since 1969.

9 So just Virginia doing a better job of maybe convincing
10 some Marylanders to come to Hampton Roads, that is not going
11 to solve our problem because we will cannibalize each
12 other's workforces.

13 We have to figure out a way to provide skills, more
14 skills, value career and technical education. Allow people
15 to use Pell Grants for it for the first time in our history.

16 But I do think there is a need that is becoming more
17 obvious every day that a work-based immigration reform bill
18 is also going to be part of the solution here.

19 I yield back. And thank you, guys.

20 Senator Hirono: I agree with you, Senator Kaine.

21 Every single industry -- we are not just talking about
22 the military and its contracting these but every single
23 industry has workforce needs. Something is going to have to
24 give and I do think that something is we need to take a
25 serious look and commitment to changing our immigration

1 system because we have the lowest, as you said, number of
2 visas -- work visas given out of any. I do not even know.
3 So that is having a major impact on our ability to be
4 competitive.

5 Senator Sullivan, would you like a second round?

6 Senator Sullivan: Thank you. Yeah. Thanks, Madam
7 Chair.

8 And I do not disagree with any of those comments on
9 immigration. We got to secure the border first before we
10 get into discussions of immigration. That should -- that is
11 a national security prerogative that should not be that hard
12 and right now we do not have a secure border. So that is a
13 different topic but an important one.

14 Mr. Smith, I want to dig down with not only you but the
15 rest of the panelists on your statement about the recent --
16 relatively recent two years ago 8-A contractor opportunities
17 for sole source contracts up to \$100 million. That is
18 relatively recent. That was my provision in the NDAA in
19 2020.

20 So I am really appreciative that you highlighted that
21 as another opportunity that can really help provide long-
22 term success for the 8-A and small business contractors.

23 What I am hearing from my 8-A contractors in Alaska,
24 though, is that a lot of the contracting officers have not
25 really gotten the word yet or kind of, like, I do not want

1 to do that, or no, I am not interested.

2 Well, we, the Congress, told you you should be
3 interested, right. It is in the law. So can you expand
4 upon that? And what I would really like to do since you
5 guys are the ones in charge and I have been hearing this a
6 lot from my 8-A contractors -- again, they do great work.
7 They contribute to the national security, as I mentioned.

8 At least in Alaska so many of them are already veterans
9 themselves, the vast majority from indigenous populations.
10 Very patriotic.

11 What I would like to do is also get a commitment from
12 each of you to send a memo to your contracting officers,
13 just as you mentioned, Mr. Smith, reminding them that, hey,
14 this is a tool and if an 8-A contractor comes in you got to
15 consider this, and I know it is relatively new so it
16 probably takes a little bit of time to work its way through
17 the bureaucracy.

18 But that is the new law and, again, I am glad you
19 mentioned that as kind of trotting out that tool as helpful.

20 But can I get your thoughts on that from all of you and get
21 each of your commitments to send out a memo to your
22 contracting officers just saying, hey, as a reminder, year
23 and a half ago Congress changed this rule. It is now up to
24 \$100 million.

25 And I think that will spur a lot of interest and,

1 hopefully, opportunity and activity on the common goal that
2 we all have here. Do you want to comment further on that,
3 and then each of you? And if you make that commitment to me
4 to be doing a memo on that?

5 Mr. Smith: Sure. Like you mentioned, it is a tool in
6 a toolbox and folks need to know that they have it at their
7 disposal.

8 For a long time competition was king. If you had
9 plenty of opportunities with industry partners competing to
10 get the best price that is what we were driving for.

11 Now we got less people playing in the swimming pool. I
12 got less opportunities with certain industry partners. Now
13 it is time to go pull some of these other tools out and get
14 the ease of contracting.

15 I mean, folks have been trained a certain way. The
16 flow down to all of the echelons across the entire
17 Department of the Navy has to take place, just like you
18 mentioned. It is an education. They are small business
19 professionals --

20 Senator Sullivan: Education -- some of your
21 contracting --

22 Mr. Smith: Absolutely. Absolutely. And some people
23 -- making the donuts is making the donuts is making the
24 donuts and they need to be told and taught that there is a
25 way to do it differently, faster, to go about another path.

1 Senator Sullivan: So can I get a commitment from you
2 in regards to --

3 Mr. Smith: We already -- we already have the
4 commitment across the department --

5 Senator Sullivan: But, I mean, to send a memo to your
6 contracting officers reminding of this?

7 Mr. Smith: Done. It is absolutely --

8 Senator Sullivan: Okay. And send it to this
9 committee?

10 Mr. Smith: It is absolutely done. Not a problem.

11 Senator Sullivan: Okay. Great.

12 Mr. Kiser, do you have a view on this or thoughts on
13 it?

14 Mr. Kiser: Just to expand it. It might even be
15 helpful if we have a joint signature coming out, at least
16 from the Department of the Air Force, from our head of
17 contracting activity --

18 Senator Sullivan: Good.

19 Mr. Kiser: -- in order to have a dual signature.
20 Small business, contracting side by side.

21 Senator Sullivan: Thank you. That is a great
22 suggestion. Thank you.

23 Ms. Buehler?

24 Ms. Buehler: Yes, I was going to make the same
25 suggestion actually, that we have to make sure that our

1 contracting partners are also pushing the same message, that
2 we have a consolidated front. In the Department of the Army
3 we are also conducting a small business road show training
4 with our contracting workforce. That actually started today
5 --

6 Senator Sullivan: Oh, good.

7 Ms. Buehler: -- and will continue in second and into
8 third quarter, and one of the areas we are training on is
9 the 8-A program and we are partnering up with the SBA at
10 certain locations to make that the most effective it can be.

11 Senator Sullivan: Perfect. Do I have time to ask a
12 couple others?

13 Senator Hirono: Go ahead.

14 Senator Sullivan: All right.

15 Senator Hirono: Then I am going to turn to Senator
16 Kaine if he wants.

17 Senator Sullivan: Let me -- Mr. Kiser, I want to
18 compliment you and the Air Force. We have had a very big
19 build up of the Air Force in Alaska with the F-35 -- two
20 squadrons F-35s and a whole host of new Air Force personnel
21 at Eielson Air Force Base and other places throughout
22 Alaska, and it was a lot of military construction authorized
23 by this committee.

24 And we now have -- by the way, on time on budget that
25 the Air Force got two squadrons of F-35s bedded down on

1 Eielson Air Force Base during the pandemic. So great job.
2 Great job.

3 You also did a really good job of working with the
4 Corps of Engineers that was letting these contracts to build
5 the hangars and everything for the F-35s, and a lot of small
6 businesses did quite well in Alaska because the Corps and
7 the Air Force were committed to getting those contracts
8 primarily to Alaska-based businesses and contractors and
9 unions, and so it worked.

10 Do you have any lessons on an example of that working
11 well? Which I thought it worked quite well. I was very
12 involved in the oversight of it. But you guys nailed it on
13 time on budget. I think the number was 95 percent of the
14 MILCON went to Alaskan-based companies.

15 Mr. Kiser: To expand beyond in what they did, I am not
16 as familiar with those specific. But that is not uncommon
17 with the contracting -- Air Force contracting working hand
18 in hand with the Army Corps of Engineers on these major
19 MILCON projects and with reconstruction or new construction.

20 Once again, I will pass your congratulations on it with
21 your permission to --

22 Senator Sullivan: And the Army Corps as well.

23 Mr. Kiser: And the Army Corps.

24 Senator Sullivan: They really did a great job. It was

25 --

1 Mr. Kiser: Absolutely, but this is non --

2 Senator Sullivan: -- picture perfect.

3 Mr. Kiser: Absolutely. Experience I have is with
4 Langley Air Force Base following Hurricane Isabel in the
5 '03-'05 timeframe. Once again, contracting -- a lot of
6 coordination with the Corps of Engineers. At that time we
7 were bedding down the F-22 at Langley.

8 So once again, a lot of teamwork across the board,
9 everybody focused on the mission because they understand the
10 importance of it. So not uncommon to us and I suspect the
11 other service as well. But thank you, sir, for that
12 compliment. I will take it back.

13 Senator Sullivan: So I have two more questions, if
14 that is all right.

15 Senator Hirono: Go ahead.

16 Senator Sullivan: The next question is for Mr. Smith,
17 and I am sure Senator Kaine will have some interest in it.
18 I had breakfast actually with the CNO this morning and we
19 talked a lot about shipyards.

20 We talked a lot about the Defense Industrial Base as it
21 relates to building ships, which that is not necessarily a
22 small business activity but small businesses can get a lot
23 of the action on that.

24 But the one area that is a small business or relatively
25 small business activity is the maintenance and repair of big

1 Navy ships or Coast Guard ships, and there is a lot of
2 opportunity there in the small business sector for smaller
3 shipyards, not the giant ones that are like in Virginia and
4 stuff. But we have some smaller shipyards. We have a
5 shipyard in Seward, Alaska, called JAG that just got a Navy
6 contract. Really, really big deal for these guys. They are
7 going to do repair work.

8 We have a bigger shipyard in Ketchikan that does big
9 Coast Guard overhauls, and can you talk about particularly
10 in this need to get our Navy bigger and better and stronger
11 the ability to use smaller shipyards, probably not for the
12 building but for the repair and maintenance, and that way
13 the big shipyards can build the subs and the LHAs and things
14 like that?

15 Mr. Smith: Well, Senator, having grown up on the
16 shipbuilding side of the house -- I was Virginia class'
17 construction manager when we delivered the first one --
18 capacity is going to be your challenge here. Having a dry
19 dock to bring in a guided missile destroyer or a large
20 amphib or an aircraft carrier you have to have the
21 facilities to be able to do that.

22 Senator Sullivan: My understanding the carriers and
23 the nukes are public yard --

24 Mr. Smith: That is correct.

25 Senator Sullivan: -- but even the CNO was talking

1 about dishing out some of the -- even though it is public
2 yard, even with the nuke Navy, that you can still dish out
3 some of the non-nuke work to small businesses. Is that --

4 Mr. Smith: Absolutely. That is absolutely true.

5 In the past, we would have probably put up an omnibus
6 kind of contract for a very large industry partner to get it
7 all done and they will subcontract the work out to smalls
8 and they are going to continue to do that, to break that
9 work out separately and move the platform to a smaller yard.

10 I think there is some coordination there that we have
11 to look at. Not saying that we cannot do it. But today we
12 can park the platform in one place and everybody show up to
13 the ship.

14 If you are going to take it away from the bigs and move
15 it to a small, well, then that work is going to be segmented
16 and probably not integrated in a fashion that we are
17 accustomed to today.

18 So it is not that we cannot do it. I think it will be
19 different. I think small businesses can benefit from that
20 opportunity. They are currently benefiting today as
21 subcontractors and you are talking about prime contracting
22 opportunities in the future, which are construct.

23 I do not see a reason we cannot do it. It is going to
24 be more of a coordination and when does the fleet need that
25 platform back to service. Because if you can do it all in

1 parallel that is one thing. But if you are going to make
2 series maintenance activities that is time that we are
3 talking about marching along at that point.

4 Senator Sullivan: Okay. That is very helpful. I had
5 one more question. It is back to Mr. Smith again, but maybe
6 it can be more broadly.

7 We had a small business in Alaska called Triverus that
8 won a contract with the Navy to build your mobile cleaning,
9 recovery and recycling systems. This is what I was
10 referring to as like a Zamboni for an aircraft carrier, if
11 you get the hockey analogy -- an aircraft carrier or LHA
12 with a flat deck.

13 And this company developed it on its own and built
14 them, 43, for the Navy. It was really, really, really
15 impressive. We were so proud of them because we do not have
16 that big industrial base up in Alaska.

17 And the Navy -- there were some hiccups, right. There
18 was some back and forth with the contracting officer. We
19 heard at one point suggesting, hey, if you really want to
20 stay in the game you need to move your business to the lower
21 48, right. Trust me, I called the Secretary to the Navy on
22 that one saying you got to be kidding me. We want to keep
23 this stuff in our state, not encourage them to go.

24 But so companies like this they get a big contract. It
25 is great. They kind of base their whole business model on

1 it. But once that contract is over and if it does not
2 continue that is challenging for them.

3 Do you guys look at those kinds of contracts where they
4 build this MCRRS, as I think they are called, or Zambonis
5 for aircraft carriers, but then also can do the maintenance
6 work because that is something that, to me, gives the
7 company with expertise the ability to continue doing that.

8 They probably know more about this system since they
9 built it from scratch than anyone else, and I do not think
10 they were ever able to get the maintenance work to be doing
11 that and it is a little bit more challenging.

12 Mr. Smith: So I am not familiar with that particular
13 case. I will go find out and --

14 Senator Sullivan: Yeah. We can provide it if you need
15 more.

16 Mr. Smith: We can -- and I will go respond for the
17 record for that inquiry. I am curious -- Zamboni for an
18 aircraft carrier. That piqued my attention.

19 [Laughter.]

20 Senator Sullivan: I mean, they zip up -- they bring up
21 all the -- any kind of material on the flight deck that can
22 hurt the --

23 Mr. Smith: I love it.

24 Senator Sullivan: -- with the fifth-gen aircraft and
25 hurt the systems. So it is really sophisticated stuff.

1 Mr. Smith: Sure. And one of the things that we
2 encourage small businesses to be able to do is do you have a
3 commercial outlet for your opportunity as well along with
4 the maintenance, because I am sure there is airports, I am
5 sure there is runways nearby, where that capability can be
6 provided elsewhere.

7 Counting on DOD to be your sole customer that is an
8 interesting market. But I think if you had many more people
9 buying from you that is a more lucrative market. So but I
10 will definitely go endeavor to investigate that one further.

11 Senator Sullivan: Thank you.

12 Senator Hirono: I just want to make a statement.

13 One is we have four major ship repair -- a public ship
14 repair facilities. One is in Hawaii. We have to make sure
15 that we continue to stay the course of modernizing these
16 facilities because there is no question that we need to
17 enable them to become a lot more efficient because the most
18 recent report says that is taking far longer to repair our
19 naval ships and get them ready for deployment. So that
20 needs to happen.

21 And then at a time when we need to really shore up our
22 ability to be innovative and competitive with a near peer
23 competitor, i.e., China, I would like to know if each of you
24 fully utilize the SBIR and STTR programs to really push
25 innovation to small businesses. Do you do that?

1 Ms. Buehler?

2 Ms. Buehler: Yes, Senator. The Army absolutely uses
3 the SBIR and the STTR programs to develop innovation. Not
4 only do we use the programs properly, we have developed
5 transition broker teams along eight different lines of
6 effort linked to specific technologies and capability gaps
7 that we are trying to fill.

8 So we are trying to make the program more effective for
9 us to really target those high critical areas. We are also
10 using it as part of our -- what we call the ex-tech search.

11 This is a "Shark Tank" like competition where companies
12 will propose a certain technological solution. We will give
13 them small contracts and take them through a successively
14 down select competition over a period of time until we get
15 to a winner.

16 So we are utilizing the SBIR authorities to also
17 facilitate that. So absolutely part of our toolkit.

18 Senator Hirono: Mr. Smith?

19 Mr. Smith: No different from the Army and probably no
20 different from the Air Force in that regard. That is our
21 fertile feeding ground for future opportunities. The future
22 technology comes from that area.

23 Having the right mission set for what you need to
24 counter in the future is what it is all about and having
25 industry partners working in that vein that is where we are

1 and we are spending transition dollars to get that
2 capability into the fleet, not just doing research and
3 development for the sake of doing research and development.

4 Senator Hirono: Oh, definitely. We need to make sure
5 that it is of some utility.

6 Mr. Kiser, do you do the same thing? Do you really
7 push for this kind of innovation support?

8 Mr. Kiser: Absolutely, Senator Hirono, and once again,
9 just adding on, similar activities but also, in fact,
10 earlier this week. We execute a lot of our SIBR/STTR
11 dollars through an organization called AFWERX and SpaceWERX.

12 Met earlier Monday afternoon of this week with the new
13 leader of that organization, Colonel Leigh, to talk about
14 how they are restructuring the program.

15 A lot of their activity over the last couple of years
16 has been toward just kind of open topics. Well, they are
17 now streamlining and focusing. They will have at least 40
18 percent of their research ideas and small business awards
19 focused on operational imperatives that you have probably
20 heard Secretary Kendall talk about, the things that we
21 really need to get after in order to be very competitive,
22 shall we say.

23 And so we are meeting with them to make sure that what
24 they are doing research on is not just necessarily open or
25 basic research but, rather, focused research on the things

1 that we need for our program executive officers, for our
2 weapon systems, so to make sure that it is really making a
3 difference.

4 And so the program executive officers -- PEOs -- are
5 becoming much more involved in the SIBR process as well and
6 so we have been awarding quite a bit. Our SIBR dollars have
7 gone from about \$300 million in fiscal year '18 to we are
8 about \$1 billion this year. So thank you for that continued
9 support.

10 Senator Hirono: I just wanted to make sure that we get
11 it on the record how important these two programs are
12 because there are some people who do not think that it is
13 important to reauthorize SBIR or STTR.

14 Thank you. Thank you very much to all of you for
15 coming and talking with us, and with that, this hearing is
16 adjourned.

17 [Whereupon, at 3:52 p.m., the hearing was adjourned.]

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