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Testimony of

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Hearing before the
U.S. House Committee on Oversight and Government Reform
Subcommittee on Government Management, Organization, and Procurement

Military Base Realignment: Contracting Opportunities for Impacted Communities

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Chairman Towns, Ranking Member Bilbray and Members of the House Subcommittee on Government Management, Organization, and Procurement:

Good morning Mr. Chairman and ranking member Bilbray and distinguished members of the subcommittee. My name is Tim Foreman and I am the Director of the Navy's Office of Small Business Programs, which resides in the Office of the Secretary of the Navy. I report directly to the Honorable Donald C. Winter, Secretary of the Navy. It is a pleasure to be here and represent the Department of the Navy on this important topic of "Military Base Realignment: Contracting Opportunities for Impacted Communities."

First, I would like to recognize Congress for the successful programs you have given the small business community. The overarching policy of the Government is to provide maximum practicable contracting opportunities in our acquisitions to small business concerns. The Department of the Navy and the Marine Corps benefit through the utilization of goods and services provided by our Nation's small business community. Small businesses are critical components of the Navy's industrial base. These concerns provide cost effective venues for our acquisition of goods and services to support our warfighters. Small businesses also provide needed technologies to assist the Navy in accomplishing its missions and to build the Navy and Marine Corps force for tomorrow. The following are the key small business programs which the Federal Government employs to level the contracting marketplace.

- Small Business program

- Small Business Set-Aside program
- Small Disadvantaged Business program
    - Section 8(a) program
- Women-Owned Small Business program
- Historically Underutilized Business Zone (HUBZone) program
- Service-Disabled Veteran-Owned Small Business program

The small business innovation research (SBIR) program and the small business technology transfer (STTR) program within the Navy are shared between my office and the Office of Naval Research. Both programs dovetail into the strength of small business which is technology innovation in both programs. The STTR program provides the means to move concepts and ideas from academia to the DoD and commercial market place.

In addition, there are statutory and regulatory advantages provided to small businesses, e.g., the Bayh-Dole Act, which allows small businesses to retain rights in intellectual property created through government contracts or grants, and numerous other circumstances in which small businesses are given certain preferences.

The Department of the Navy fully recognizes the need for small business programs and that small business continues to play an important role as we move forward in the implementation of base realignment and closure. My job as the Director, Office of Small Business Programs is to be the Departmental lead advocate for small businesses, but

more importantly, to act as an advocate to our contracting and program management communities to utilize small business concerns for their innovation, lower cost, lower overhead and improved management flexibility that small businesses bring to the marketplace. Small business programs are a win – win for the Department of the Navy. As a small business program leader, I strive to establish strategies, goals and objectives to help balance the government contract responsibilities to encourage and assist small business to participate as prime contractors and subcontractors.

The Department is fully committed to fostering the use of the small business community as prime contractors, subcontractors and vendors; to structuring its requirements to facilitate competition by and among small business concerns; and to avoiding unnecessary consolidation of contract requirements that preclude small business participation as prime contractors.

The acquisition environment has changed considerably within the Navy over recent years as a result of acquisition reform, organizational realignment, base closures, downsizing, and outsourcing. In cases where mission needs are consolidated and small businesses cannot compete, the Navy looks to its subcontracting program to foster the use of the small business community to ensure vigorous participation at the subcontract level. The Navy is committed to avoiding contract consolidations that result in reduced small business participation unless market research and a benefit analysis support that there are measurable substantial benefits.

The HUBZone program offers certain unique benefits to the impacted areas. Historically, military facilities and the geographical area they represent are not considered to be eligible for HUBZone status. However, as a result of a Department of Defense (DoD) legislative initiative all military facilities closed under BRAC and converted to commercial property are considered HUBZones. I would like to discuss briefly what this means to the community surrounding BRAC facilities and to the DoD.

What is a HUBZone? It is an economically distressed geographical region that is determined by the SBA in accordance with statute.

What is the purpose of the HUBZone program? To provide jobs and increase employment opportunity for residents in these economically distressed areas.

What contracting tools does the HUBZone program offer?

- HUBZone set-asides
- HUBZone sole source
- HUBZone price evaluation preference
- Improved definition of HUBZone subcontracting limitations.

Why is the HUBZone program germane to BRAC? Under Division K of the Consolidated Appropriations Act, 2005, HUBZone qualified areas were expanded to include activities that are closed under the BRAC process. This sets in motion the HUBZone contracting tools to qualified small business start-ups or firms who move their business into land formerly part of the closed activity. Also the small business must employ (35 percent or greater) individuals who reside in a HUBZone. Moreover, the small business concern must apply to and be accepted by the Small Business

Administration (SBA) for admission to the SBA HUBZone program. This legislative initiative implemented under Public Law 108-447 helps address the local community's concerns about the BRAC process and has the potential to provide new jobs for former military and civilian workers from the closed facility and may raise the value to the commercialized lands of the closed activity. Additionally, the BRAC process gets input from the community and the Commission's recommendations will address those concerns or deems them to be unwarranted.

Generally construction, architectural services and environmental remediation services are key industries involved in the BRAC process and are favorable industries for small business concerns. The rigors of the BRAC process, restrictive timetables, size, dollar value, bonding capacity and geographical challenges may diminish small business prime contracting opportunities; however the Navy has successfully implemented minimum subcontracting requirements as part of the evaluation process. These subcontracting requirements are good tools in mitigating most of the small business concerns. The Navy will continue to reach out to small businesses to encourage their development and use in order to meet the Navy's mission for today and tomorrow.

In summary, the Navy understands the challenges ahead and has established strategies and objectives to help provide greater small business participation in the Navy's BRAC efforts. To this end, Navy small business specialists are involved in the early development of our acquisition strategies. Also in recognition of current challenges faced by the Department of the Navy a policy letter has recently been issued to re-

emphasize the importance of proper compliance and oversight of our subcontracting program responsibilities.