

**STATEMENT OF JOEL SZABAT
DEPUTY ASSISTANT SECRETARY
FOR TRANSPORTATION POLICY
U.S DEPARTMENT OF TRANSPORTATION
BEFORE THE**

**COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
MARCH 12, 2009**

Ensuring Stimulus Contracts for Small and Veteran-Owned Businesses

Chairman Nye, Ranking Member Schock, Members of the Subcommittee:

Thank you for inviting the U. S. Department of Transportation (DOT) here today to discuss how small businesses may benefit from the American Recovery and Reinvestment Act (ARRA).

On February 17th, 2009 President Obama signed the ARRA appropriating \$48.1 billion to the Department of Transportation. Of that amount, DOT has already apportioned \$26.6 billion in highway funds, and \$7.5 billion in transit money, to states and local transit agencies. This week we are releasing another \$2.4 billion in grants to airports and Amtrak.

A critical part of this effort is to apportion funds to the states and other DOT recipients promptly and efficiently so jobs can be created to stimulate economic activity at the state and local levels. As part of our commitment, and under the leadership of Secretary LaHood, in less than three weeks, some contracts funded through ARRA have been awarded, and work is underway.

Under two separate and distinct programs within DOT, there are contracting and subcontracting opportunities for small and disadvantaged businesses. Opportunities are available under our federal financial assistance to state and local transportation agencies (formula and other grant funds) via the Disadvantaged Business Enterprise (DBE) Program and through DOT's direct contracting process (small business program).

Small Business Strategy -- Direct Contracting

Small businesses are the backbone of our economy, employing about half of all private sector employees and paying for nearly 45% of the total U.S. private payroll. DOT has developed a successful program designed to increase the number of federal competitively awarded contracts to small businesses by maximizing opportunities and promoting the use of small businesses in DOT contracts.

DOT is a leader in Federal Government procurement. It has developed a culture that has demonstrated its commitment to small and disadvantaged businesses. In 2008, DOT spent \$5.1 billion in direct contracting, of which over \$1.7 billion went to small, women-owned, veterans, service disabled veterans and disadvantaged businesses.

The DOT Office of Small and Disadvantaged Business Utilization (DOT/OSDBU) strategy has shown significant success. The DOT small business program is implemented under the leadership of the OSDBU and encompasses all small businesses, including small and disadvantaged, women-owned, veteran-owned, service-disabled veteran-owned, and Historically Underutilized Business Zone certified firms.

The program is supported at the highest level of the organization and reflected in the DOT strategic and performance plans. The Transportation Acquisition Manual and the Transportation Acquisition Regulations reinforce written policies and procedures for use by the DOT Operating Administrations (OAs) to implement small business contracting activities. Each OA has at least one small business specialist to assist small businesses seeking contracting opportunities with DOT.

Small Business Strategy -- Formula Funds

The DBE program, enacted in 1983 as part of the Surface Transportation Assistance Act (STAA) of 1982, was designed as a vehicle to increase the participation by minority business enterprises in federally assisted state and local contracts. Three major DOT operating administrations are involved in the DBE program: the Federal Highway Administration, the Federal Aviation Administration and the Federal Transit Administration.

In Fiscal Year 2008, DOT distributed more than \$40 billion in formula and other grant funds, which resulted in over \$30 billion in contracting and subcontracting opportunities for small and disadvantaged businesses. DBEs were awarded \$3.3 billion in contracts, representing over 11% of the total DOT assisted contracting.

The DOT is working together with the states to monitor the funds distributed under ARRA. A number of reporting tools are being developed in accordance with the Recovery Act to meet the various requirements in the legislation, including the number of jobs created. In addition, OSDBU intends to coordinate the development of a web based reporting tool to allow recipients to report DBE achievements into a centralized database. This will allow DOT to better assess the impact of ARRA and monitor DBE awards or commitments and payments.

Implementation of Recovery Act

DOT will distribute about \$35 billion in ARRA appropriated infrastructure funds, which are subject to the same DBE program requirements as non-ARRA formula funded projects. DOT recently issued guidance to program administrators suggesting steps to take to mobilize underutilized DBE capacity that may be needed to meet increased

demand fueled by the ARRA. . States, airports and transit agencies must meet the same DBE requirements for ARRA resources as they do for normal formula funded programs. Based on our history with existing programs, we expect the ARRA to generate nearly \$3 billion in additional contracting and subcontracting opportunities for DBEs.

Included in the Recovery Act is \$20 million for DBE bonding assistance for transportation projects that are specifically funded through ARRA.

To disseminate information about the DBE bonding assistance program, DOT OSDBU will develop an in-house outreach campaign at the state and local level to promote and distribute information related to this program. This campaign will be a joint effort between DOT and state DOTs, Office of Civil Rights at the state and local levels, and other government agencies such as Small Business Administration, Minority Business Development Agency, and others. Part of our communication effort to disseminate information to small business will be coordinated through the nine Small Business Transportation Resource Centers (SBTRCs). OSDBU has established cooperative agreements with business organizations across the country to assist small businesses.

In the context of the DBE program, only firms certified as DBE under Title 49 Code of Federal Regulations parts 26 (49 CFR 26) are counted. DOT recently issued guidance to program administrators reemphasizing the applicability of the DBE program to any additional funding received under ARRA.

DOT also had issued guidance regarding the eligibility of service disabled veteran owned business and encouraging their participation in the DBE program. DOT is considering expanding its guidance regarding the use of the small business set-aside as it pertains to the DBE program.

Because small businesses are critical in stimulating economic growth and creating jobs, DOT encourages small business participation in all its grants. Recipients will be required to report small business participation through special ARRA reporting vehicles.

As part of the implementing guidance provided to the OAs for all ARRA procurement actions, DOT's Senior Procurement Executive issued specific guidance instructing the OAs to ensure maximum opportunities for small businesses to compete in contracts resulting from the ARRA.

DOT actively reaches out to the small business community. For example, in Fiscal Year 2008 DOT OSDBU participated in more than 11 Service Disabled Veteran Owned Small Business (SDVOSB) related events and actively reached out to SDVOSB organizations to provide a supportive environment for them to present their capabilities to DOT and to learn about contract and subcontracting opportunities. DOT OSDBU actively participated in the National Veterans Conference sponsored by the U.S. Department of Veterans Affairs to provide technical assistance and workshops to SDVOSB and veteran owned business on how to market their products and services to federal agencies, specifically to DOT. We continued to encourage the use of SDVOSB set-asides in DOT

contracts through the small business review process and individual interaction with procurement officials. The DOT/OSDBU strategy has shown significant success.

Thank you for the opportunity to appear before you today. I will be happy to answer any questions.