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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 12, 2005

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 3rd Street S.W.
Washington, D.C. 20416

Dear Administrator Barreto:

I am writing to express my deep concern that small businesses in the Gulf region are not being given an opportunity to participate as prime contractors in Hurricane Katrina relief, recovery and reconstruction contracts. Recent reports show that more than 90 percent of the money from prime contracts for Gulf Coast recovery and reconstruction has gone to businesses outside of Louisiana, Mississippi and Alabama. Additional reports estimate that 80 percent of Federal Emergency Management Agency (FEMA) contracts for Hurricane Katrina clean up were awarded without bidding or with limited competition.

While recent efforts -- such as re-competing some of the no-bid contracts, establishing an 800 number for small businesses seeking contracting opportunities, and creating a Hurricane Contracting Information Center at the Department of Commerce -- are necessary, I am still concerned that Gulf Coast small businesses may not have adequate access to the majority of relief and reconstruction contracts being awarded. What steps is the SBA taking to monitor the activities of the Department of Commerce and the new Contracting Information Center? Does the SBA plan to track the number of businesses that utilize these services, the type of the assistance needed by target businesses, or the number of contracts awarded because of this service?

I also have concerns regarding the distribution of 8(a) contract awards. My office has received information that shows 99 percent of the 8(a) contracts awarded by the Army Corps of Engineers as of October 3, 2005, approximately \$48.9 out of \$49.2 million total awarded dollars, were given through sole-source awards to two Alaska Native Corporations (ANCs). What is the SBA doing to ensure that all 8(a) companies, particularly those located in the affected region, as defined in the Stafford Act, are afforded the opportunity to compete for contract dollars?

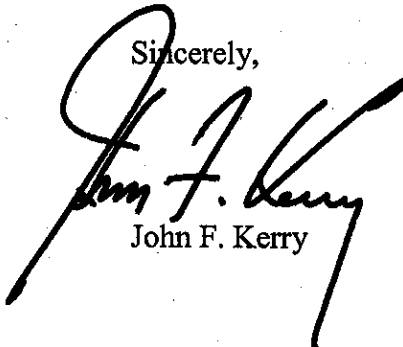
Given the administration's poor record on contract bundling and the sheer size of the reconstruction and recovery effort, it is important that every contract be reviewed to ensure small companies in the region are able to participate in the rebuilding effort as prime contractors. Procurement center representatives (PCRs) are crucial to assisting small businesses with the Federal procurement process, yet the Administration has repeatedly refused to expand its staff of PCRs to monitor the over 2,000 procurement

locations and over \$300 billion in Federal government contracts. At a February 2005 hearing of the Senate Committee on Small Business and Entrepreneurship, concerns were raised that the Agency's plan to hire only six new PCRs was wholly inadequate to review the billions of dollars in federal contracts that are awarded each year. Currently, the SBA has just 58 employees with PCR duties and only four PCRs monitoring and assisting with Katrina-related contracts. This is far too few for the number of contracts, subcontracts, and contract dollars being awarded to businesses working to rebuild New Orleans and the rest of the Gulf region.

To make sure small businesses have every opportunity to compete for these contracts, I urge you to greatly increase the number of PCRs. The SBA has already hired approximately 3,000 employees to help in the loan-making process. If the Administration is serious about its intent to provide small firms with the greatest opportunity to compete for these contracts, the SBA should also make the extra effort to hire employees to review the contracting process, find qualified small businesses from the Gulf area, and un-bundle multi-million dollar contracts that are out of the reach for most small businesses.

I hope to continue working with you to ensure that small businesses in the Gulf region receive their fair share of Federal reconstruction and recovery contracts. I look forward to your prompt response.

Sincerely,



John F. Kerry