



News Release

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Frequently Asked Questions on SBA's 8(a) Contracting, HUBZones, and Women's Procurement

8(a) Program

Q: Why hasn't SBA raised the net worth requirements through regulations?

A: SBA and the SBA's own Office of Inspector General have had a longstanding disagreement about this issue. While it may be problematic in some industries, SBA has not seen a drop in applications or evidence that this has created a barrier to entry.

The current standard provides a maximum financial worth no more than \$250,000 at entry into the program and a maximum of \$750,000 during program participation. The IG continues to have concerns over the nature of economic disadvantage and its use by the agency to provide opportunities to 8(a) businesses. A recently released study commissioned by the Congressional Black Caucus does not relate to economic disadvantage.

According to the Federal Reserve, the median level of wealth of all families in 2001 was \$86,100. In addition, the family net worth for persons in the top 10 percent of this income group is \$833,600. This figure includes the value of the family's house and business. The Census Bureau's report on income in the United States in 2004 stated that the median household income was \$44,389.

Q: Is it true 90% of 8(a) contracts are concentrated in firms that have graduated the 8(a) program?

A: That number is **incorrect**, it is based on data extrapolated by Committee Staff. The data is incomplete as clearly noted on page 24 of the 8(a) report. In 2006 we had 9,490 8(a) firms and 4,186 contracts. We show that roughly 45% of firms received contracts.

Q: Are ANCs receiving a disproportionate number of 8(a) Contracts?

A: The SBA is following the law set out by Congress in 2002. In response to a GAO report, we are taking steps to increase our oversight of the program and are following necessary procedures prior to drafting any changes to the underlying regulations. We have also rewritten the partnership agreements with procuring agencies to monitor their use of ANCs and tribal-owned firms. **According to GAO**, 8(a) ANC firms received a total of \$2.9 billion between 2000 and 2004, never more than 14% annually.

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Q: Why isn't SBA overseeing the 8(a) contracting process?

A: We are overseeing the process. We recently rewrote the partnership agreements to increase our oversight of delegated 8(a) authority and are having regular meetings with agency contracting officials on their use of that authority. A new requirement for SBA to oversee the contracting process would remove SBA's current ability to delegate 8(a) authority to other agencies. This is authority we have delegated in order to streamline the contracting process, cut unnecessary government red tape and reduce costs to the taxpayer.

HUBZone Program

Q: The IG reports that 98 percent of HUBZone firms are ineligible within 3 years?

A: Roughly 30% of current HUBZone firms are less than two years old. The failure rate is proportional to that in young firms. Many firms do drop out, but that is not a sign of fraud. The IG made five recommendations to help SBA clarify and update its recertification process and we have implemented or are implementing all of them, including improved referrals to the IG of fraudulent HUBZone activities.

Q: Why is there rampant fraud in the HUBZone program? For example, 40% of awards are going to non-registered firms.

A: SBA has a pending change in the FAR regulations to require a HUBZone firm to certify at the time of the contract award, as well as when the firm submits its bid and that the firm is attesting to their continued eligibility during the life of the contract. The Federal Procurement Data System (FPDS) has also been modified to prevent a HUBZone contract from being entered unless the awardee is a certified HUBZone firm. Firms must reregister on CCR annually and update their ORCA certification. We are currently looking at how we can further modify the recertification process even further to reduce any other avenues for potential fraud.

Q: Under the Committee's new proposal, HUBZone companies would be prohibited from bidding on construction contracts more than 150 miles from the main office. Does the SBA support this proposal?

A: We understand that the program may have some unintended results in more heavily populated areas, but a restriction such as the one in the proposed legislation does not take into account the realities of many HUBZone eligible firms located in rural parts of the country. In such rural areas, population centers are spread out over great distances, leaving opportunities for HUBZone contractors with greater distances to travel before reaching the job site in the next town. This proposed restriction would exclude many such qualified HUBZone businesses from bidding on construction projects.

Examples – Global Construction of Kinston, NC with a contract in Memphis, TN; NASCO services of Smeltonville, ID with a contract in Augusta, GA; Ceres Caribe in Puerto Rico with a contract in New Orleans.

Q: How are HUBZones established?

A: The HUBZone eligibility criteria were established in statute and based on data supplied by the decennial U.S. Census data. The IRS and HUD analyze the census data and then provide that information to the SBA

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to map-out the zones. SBA does not have a role in analyzing the census data. The next review of the HUBZones will occur after the 2010 census.

Women's Business Regulation

Q: When will the SBA implement the WOSB regulation?

A: SBA has submitted a proposed rule for interagency review and, under the requirements of the Administrative Procedures Act, is unable to comment. As part of the clearance process, at least 24 federal procuring agencies, each with their own Office of General Counsel, will have the opportunity to review and suggest changes to the rule.

WOSB contracts accounted for 11.6 billion in FY 2006 and 3.4% of federal procurement, an increase of \$1.4 billion or 0.3% from FY 2005. SBA's executive team is committed to increasing federal contracting dollars to WOSBs.

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