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Small firms land record federal contracts

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Small businesses scored a record 25.4 percent of federal agencies' prime contracting dollars last year -- the first time the government met its 23 percent small business procurement goal since 1999.

The Small Business Administration credits the improvement to its expanded efforts to match small companies with procurement officers as well as President Bush's order calling on agencies to open more contracts to small businesses.

"These record-breaking numbers did not happen by accident," says SBA Administrator Hector Barreto, who predicts 2004 will be "another banner year."

Mike Schultz, CEO and president of Austin, Texas-based Infoglide Software, says it is "a new day" for small businesses looking for federal contracts.

"We're excited about the government business, and five years ago, I never would have said that," Schultz says.

Infoglide won a \$6 million-plus contract last May from the Transportation Security Administration, which is using the company's software to validate identities and make risk assessments about travelers.

Schultz says the Bush administration deserves credit for insisting that "technology should be acquired based on technology, not relationships or size of company," he says.

In all, small businesses were awarded nearly \$63 billion in prime contracts last year, an increase of nearly \$10 billion. The Department of Defense accounted for nearly \$40 billion of these contracts.

Minority-owned companies designated as small and disadvantaged businesses received 7.4 percent of all contracts, compared to 6.7 percent a year earlier and well above the 5 percent procurement goal for this business category. The small business goals were set by Congress.

Woman-owned businesses received \$1.1 billion more in contracts last year than they did a year before, increasing their share of the federal market from 2.9 percent to 3.2 percent. But that percentage is well short of their 5 percent goal.

"We have come a long way, but we've got a long way to go," says Terry Neese, president of Women Impacting Public Policy, an advocacy group for women business owners. Small businesses located in low-income Hubzones received 1 percent of all contracts and firms owned by disabled veterans got only 0.21 percent of all contracts, far below their 3 percent goals.

Democrat questions numbers

"We are making progress on a number of important fronts," says Sen. Olympia Snowe, the Maine Republican who chairs the Senate Small Business and Entrepreneurship Committee.

"However, obstacles still remain to hinder small firms from realizing greater business opportunities in both prime contracting and subcontracting areas."

Rep. Nydia Velazquez, the ranking Democrat on the House Small Business Committee, questioned the validity of the data. She thinks the numbers may be inflated, pointing to a General Accounting Office study last year that found agencies had listed billions of dollars in contracts to large businesses as small business contracts.

Velazquez says the Bush administration "has persistent and real credibility issues with the numbers it presents to the public," citing the Medicare drug bill as an example.
Pentagon drops break for minorities

Another question is what government agencies will do with the numbers.

Albert Krachman, an attorney who specializes in government contracting, is disturbed by the Department of Defense's recent announcement that it will stop giving a 10 percent price break to small and disadvantaged businesses this year since the Pentagon exceeded its minority contracting goals last year.

"That is going to hurt, in real time," says Krachman, a partner in Bracewell & Patterson's Washington, D.C. office.

Many minority-owned businesses are going to be "shut out of competition" because of the loss of this price break, he says; small business goals were never "intended to be a quota."

"It shouldn't just be a free pass when you meet your target," he says of the Pentagon. "How many years did they not meet their goal?"

Top agencies for small business contracts

Agencies	Contracts	Small business ' share of contracts
Defense	\$40 billion	24.8%
General Services Administration	\$3.7 billion	45.7%
Veterans Affairs	\$2.5 billion	30%
Agriculture	\$2.1 billion	51.3%
Health and Human Services	\$2 billion	30.1%
Interior	\$1.7 billion	47.5%
NASA	\$1.6 billion	13.9%
Justice	\$1.3 billion	32.7%
State	\$1.1 billion	48.2%
Homeland Security	\$1 billion	40.7%

Source: Fiscal year 2003 report by Federal Procurement Data Center