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Contract Awards by U.S. Drop for Neediest Areas

By Kathleen Miller, Published: March 22

The U.S. government is falling further behind on its goal of awarding more contracts to small businesses that operate in areas with high unemployment and low incomes.

The value of those contracts dropped to \$9.9 billion, or 2.4 percent of the \$422.5 billion in awards eligible for small businesses, in the fiscal year that ended Sept. 30, according to Small Business Administration data. That compares with \$12 billion, or 2.8 percent of \$433.3 billion, in fiscal 2010.

The government has had a goal since 2003 of awarding at least 3 percent of eligible contracts to small businesses in what the SBA calls “HUBZones” — historically underutilized business zones. While some agencies have met the target, the government as a whole has never hit it.

“Our community has gone through a bit of turmoil over the past few years,” Ron Newlan, chairman of the HUBZone Contractors National Council, an advocacy group based in Falls Church, said in a phone interview Tuesday. “The woman-owned small-business preference program has been created, there’s more emphasis on working with disabled-veteran-owned businesses, and there are only so many small-business awards to go around.”

The federal government should do more to break up big contracts that tend to go to large businesses, giving pieces to smaller businesses, said Newlan, also president of Global Solutions Network, a Rockville-based technology services vendor that competes in the program.

HUBZone areas include parts of Detroit, Las Vegas and Southeast Washington. American Indian reservations and closed military bases are also eligible. At least 35 percent of a company’s employees must live in a HUBZone to qualify.

Government offices are still reviewing fiscal 2011 data to ensure there are no anomalies, Tiffani Clements, an SBA spokeswoman, said in a March 12 e-mail. She declined to comment on the contracting decline until the review is complete.

The Interior Department gave HUBZone companies the largest share of its eligible awards — 9.4 percent, or \$266.2 million of a total \$2.8 billion, according to the SBA data. The Energy Department had the worst performance among departments, awarding 0.2 percent, or \$57.8 million of \$24.4 billion.

The government may have a tougher time meeting its target next year. The SBA booted 2,415 companies from the program on Oct. 1 because their areas no longer met the economic criteria. Businesses in expiring zones were allowed to move to other HUBZones.

West Virginia coal towns were among the areas removed, Sheila Coe, a board member of the HUBZone council, said in a March 8 phone interview.

It made sense to remove those areas several years ago when mines were doing well, said Coe, vice president of Spencer, W.Va.-based Heeter Construction, which participates in the SBA's HUBZone program. Now, the U.S. coal market is in decline because of higher regulatory costs and a 10-year low in natural gas prices, she said.

"Coal mines are down now, and they've removed places that actually needed the work," Coe said.

— **Bloomberg Government**

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