

Half of federal agencies miss contract goals



Lloyd Chapman, president of the American Small Business League, says small businesses don't get their fair share of federal contracts.

By Cyndia Zwahlen, Special to The Times
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School may just be getting started, but federal agencies have already received their first report card tracking how well they did in meeting their small-business contracting goals last year. And many of them must have been snoozing in the back of the classroom.

Half of the 24 agencies were rated "red," as in needs improvement, in the report issued Aug. 17 by the Small Business Administration.

Five received a passing "yellow" grade for attaining their contracting goals. The top "green" score went to seven agencies, including the SBA, that met additional specific criteria.

The score card is based on data supplied by the agencies for the fiscal year that ended Sept. 30.

The point of the report card, which will be updated every six months, is to increase transparency and pressure the agencies to be more accountable for accurate contracting numbers, according to the SBA.

Inflated numbers that incorrectly classify some large companies as small businesses in the government's contract database, whether through fraud or error, give agencies less incentive to find genuine small companies that can meet their contracting needs. That means less opportunity for the small firms that have traditionally been the source of much of the country's job growth and

innovation.

The SBA has come under heavy criticism over the accuracy of its numbers. Its recently revised report for 2005, based on revised data supplied by the agencies, chopped \$4.6 billion off the \$79.6-billion value of contracts previously reported as being held by small businesses.

"The truth is that small businesses in America are not getting their fair share of federal contracts. That's the bottom line," said Lloyd Chapman, president of the American Small Business League and a frequent critic of the SBA.

In addition to the score card, the SBA has rolled out several other initiatives under its new chief, Steve Preston, to address the problem.

Since June 30, small companies that hold federal contracts have had to recertify that they still qualify as a small entity after they are involved in a merger or acquisition. They also have to recertify their size whenever their contract options are exercised, which is usually in a series of one-year increments.

What concerns Chapman, among others, is the new rule that allows existing small-business contractors to avoid recertifying for up to five years under a long-term contract.

Some critics back annual recertification. Other players in the \$340-billion federal small-business contracting arena say small businesses shouldn't be penalized so quickly for growing.

The SBA score card also took into account how well agencies met contracting goals for several subcategories of small businesses: 5% of contracts to small disadvantaged businesses, 5% to small businesses owned by women, 3% to companies owned by veterans with disabilities related to military service and 3% to small businesses that operate in areas designated as historically underutilized business zones. To win a green rating, an agency had to meet its overall small-business contracting objective as well as goals for at least three of the four subcategories.

The government's general goal for small-business contracting is 23%, although individual agencies negotiate their own goals with the SBA. An agency's percentage applies only to contracts designated as eligible for small businesses.

The report on which the score card is based includes data from 85 federal entities. Among those entities are the 24 agencies, which account for 98% of federal small-business contracting, along with other organizations such as the Peace Corps.

The government also now requires that federal agencies set up and document procedures to validate the contract information they put into the federal database. Agency officials will have to

attest to the integrity of their fiscal year 2007 numbers by Dec. 15., just in time for the next score card due from the SBA.

Government tax experts have tips Clear up confusion about your tax responsibilities as a small-business owner with the help of government tax experts. They'll be available at several seminars this fall.

Agencies participating in the Small Business Fair seminars include the state Board of Equalization, the Internal Revenue Service, the Franchise Tax Board and the Employment Development Department.

The seminars, which run from 9 a.m. to 2:30 p.m., will be held in the San Gabriel Valley on Sept. 26, in San Diego on Oct. 12 and in Torrance on Oct. 26.

For more information, call (213) 593-1311 or go to the Board of Equalization website at www.boe.ca.gov and click on Free Tax Seminars.

Learn how to find venture capital If you are a small-business owner, you know only too well how important capital is to the survival of your venture. What you may be less sure about is how best to raise the money you need.

To help bridge that knowledge gap, a business group is offering free training for 150 small-business owners and executives. The Access to Business Capital program will teach owners about venture capital and how to expand their businesses through equity investment.

The two-year pilot program is sponsored by the California Hispanic Chambers of Commerce and is open to all small businesses. It is funded by a \$50,000 state grant.

The Saturday training classes, to be led by venture capital firm principals and executives, will be held in Los Angeles, Orange County and Fresno during the first phase of the program. More locations will be added later.

For more information, contact the chamber group at (916) 444-2221 or visit its website at www.cahcc.com.

Franchise expo set for next month Buying a franchise is the ticket to business ownership for many would-be entrepreneurs. In California there are 80,340 franchise establishments, according to the International Franchise Assn.

For those who want to learn more about the pros and cons of joining their ranks, the association will hold its West Coast expo next month at the Los Angeles Convention Center.

Smoothie bars, maid services, tool sales, sandwich shops -- you can learn about these and other franchised businesses at the Oct. 19-21 event. Seminars will be offered on legal, financial, marketing and other franchise management skills. Some are free, including Franchising 101 for Veterans.

More information is available at www.wcfexpo.com and www.franchise.org.

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