

Agencies surpass Recovery Act small business contracting goals

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More than \$1 out of every \$4 spent on federal Recovery Act contracts has gone to small businesses, but several large spenders appear to be lagging behind in including small firms, administration officials told members of a Senate panel on Tuesday.

As of Oct. 2, nearly 26 percent of all federal stimulus contracting dollars -- or more than \$4 billion -- was awarded to small businesses, said Joe Jordan, associate administrator for government contracting business development at the Small Business Administration, in testimony before the Small Business and Entrepreneurship Committee.

The Recovery Act does not set a specific goal for small business contracting, but in most cases, agencies have been instructed to follow the government's annual goal of awarding 23 percent of all prime contract dollars to small firms. That means about \$13 billion of the roughly \$60 billion in stimulus funds expected to be awarded through federal contracts should go to small businesses, Jordan said.

"Put simply, this is a win-win situation," he said. "Small businesses get increased volume, sales and hires. They get a lift to be competitive in the global marketplace and help lead the nation toward economic recovery. In addition, federal agencies get to work with the most innovative, nimble and responsive companies."

The Recovery Act spending totals for the various socioeconomic and disadvantaged categories also have been encouraging, Jordan testified. For example, small disadvantaged businesses have received 11 percent of stimulus contracts, exceeding the goal of 5 percent, he said. Meanwhile, firms owned by service-disabled veteran-owned firms and those operating in historically underutilized business zones have received 4 percent and 7 percent of Recovery contracting dollars, respectively. The goal for both categories is 3 percent.

The only subcategory in which agencies have failed to meet the overall goal is women-owned small businesses, which have received 4 percent of all Recovery contracts as opposed to the goal of 5 percent, Jordan said. To increase that figure, SBA developed its first online training module specifically geared toward women in contracting. The course is available at:

www.sba.gov/womenscontracting.gov.

"This is a simple but powerful tool for women who are ready to learn the ropes in contracting," Jordan said.

While the government as a whole is exceeding its Recovery Act small business contracting goals, the report card from several large agencies is somewhat mixed.

The Defense Department, long-criticized for its small business participation, is among the government's leaders in stimulus awards to small firms, said Linda Oliver, acting director of Defense's Office of Small Business Programs. As of Sept. 25, Defense had awarded \$2.2 billion in Recovery Act contracts, with \$1.3 billion -- or 58 percent -- going to small businesses, Oliver said.

The high small business participation can be attributed partly to the types of projects and services the Recovery Act has funded thus far, she said. The majority of Defense's stimulus funds are for military construction or facility sustainment, restoration and modernization projects.

But, Defense's small business totals likely will decrease in the coming months as the department begins awarding roughly \$1 billion in large hospital construction contracts, Oliver predicted.

"These projects exceed the capabilities of small businesses so I don't think [our figures] will hold," she said.

While the Defense Department's small business contracting might soon come back to earth, the Energy Department's still is waiting to get off the ground. Energy received \$36.7 billion in Recovery funds, with the overwhelming majority dispersed through grants, loans and other financial assistance. The exception, however, was Energy's Office of Environmental Management, which received \$6 billion to be used for contracts and subcontracts. To date, 6.7 percent of those funds has gone to small businesses, said Committee Chairwoman Sen. Mary Landrieu, D-La. But, Brenda Degraffenreid of Energy's Office of Small and Disadvantaged Business Utilization defended the totals, noting that the agency's business model -- 85 percent of its contract dollars

are directed to laboratory management work performed by large firms -- requires greater flexibility.

Because of its unique circumstances, Energy negotiated revised small business goals with SBA. This year, the agencywide goal is 5.87 percent, while the target for the Office of Environmental Management is 4.8 percent, Degraffenreid said. The department is gathering data on its fiscal 2008 spending on subcontracts, which Degraffenreid said is a fairer reflection of its involvement with small businesses.

Energy is not the only agency lagging in issuing Recovery Act contracts to small firms. The Social Security Administration has awarded less than 2 percent of its contracts to small businesses and NASA is only at 9 percent, Landrieu said.

The chairwoman has written a letter to each agency receiving Recovery Act funds requesting a rundown of contracting figures by the 15th day of each month.

"We cannot wait until the money is spent to start evaluating whether small businesses are being included," she said. "That oversight must start now and it must be continuous. We have an opportunity to positively impact small businesses through the Recovery Act."