

Democrat proposes raising net worth cap for minority small business program

By Elizabeth Newell enewell@govexec.com December 14, 2009

Legislation introduced last week would raise the net worth cap for participants of the [Small Business Administration's 8\(a\)](#) program for socially and economically disadvantaged individuals.

Currently, the minority small business assistance program excludes individuals whose net worth is more than \$750,000. The bill, sponsored by Rep. G.K. Butterfield, D-N.C., would adjust the cap, which was established in 1988, for inflation, bringing it to \$978,722. It also would allow for increases with future inflation.

"The hope is that this would help to avoid disadvantaged business owners from unfairly being pushed out of the program because of outdated restrictions," Butterfield said.

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He cited Congressional Research Service numbers showing decreasing participation in the 8(a) program. According to CRS, recent participation peaked in fiscal 2006 when 9,667 small firms received \$7.1 billion in revenues under the program. In fiscal 2008, 9,462 companies participated and received \$6.3 billion in revenues.

This legislation is not the first of its kind. In the last few years, both the House and Senate small business committees have reviewed the net worth limit and introduced legislative provisions that would reevaluate and possibly raise it. But, so far, these provisions have failed to garner enough support to pass both chambers of Congress.

The Aerospace Industries Association has been a vocal supporter of adjusting the net worth limit, with the group's Supplier Management Council saying the ceiling "fails to account for the financial resources necessary for these firms to succeed in federal contracting."

Vickie Wessel, president of Phoenix-based Spirit Electronics and chairwoman of the Supplier Management Council's legislative and small business committees, said she is excited about the new legislation.

"Any move, and that one is a pretty substantial move, is a good, good sign as long as we don't come up with resistance in the Senate Small Business Committee, which is where we stalled last time," she said.

Wessel said the council will continue to push for other net worth provisions, such as the exclusion of personal retirement funds in the calculation, but she sees this as a step in the right direction.

"There are still a number of people who believe that \$750,000 is a huge indicator of net wealth and don't think it should be adjusted for inflation," she said. "We've had a hard time convincing them that \$750,000 isn't the same amount today as it was when those numbers were originally created. Once you talk about modernizing equipment, trying to grow your business; that money just doesn't go far when you're trying to pledge collateral."

The House Small Business Committee will "take up a comprehensive reform of SBA's contracting programs next year and the agency's net worth requirements are certainly something that will come up for discussion," a spokesman said.

A spokeswoman for Sen. Mary Landrieu, D-La., chairwoman of the Senate Small Business and Entrepreneurship Committee, said the senator will be evaluating changes to the 8(a) program in the near future, including whether to increase the net worth cap.