

Senate deal will level small-business contract preferences

HUBZone companies would not get priority over 8(a) companies and service-disabled veteran business owners

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Senate leaders have agreed to include a provision in the next defense authorization bill to do away with the current debate over which categories of small businesses should be given priority in federal contracting.

The amendment, introduced by Sen. Mary Landrieu (D-La.), would remove the special preference given to small businesses in historically underutilized business zones (HUBZones), putting those firms on a par with companies owned by service-disabled veterans and those in the Small Business Administration's 8(a) program.

"All small businesses should be given an equal opportunity to succeed," said Landrieu, chairwoman of the Small Business and Entrepreneurship Committee.

The Senate is currently considering the fiscal 2010 National Defense Authorization Act ([S. 1390](#)). The House passed its version in June.

Landrieu said her amendment is in response to a May ruling by the Government Accountability Office that HUBZone companies had to be considered before other categories of business when conducting a set-aside procurement. She said the ruling has caused contractors to pull back business from 8(a) and service-disabled veterans programs.

In its decision, GAO said the Army made a mistake when it didn't consider whether at least two HUBZone businesses would bid on an information technology contract. Mission Critical Solutions, a HUBZone company, protested the award after the Army awarded a one-year, \$3.45 million sole-source contract to Copper River Information Technology, a company owned by Alaska Natives.

SBA and administration officials also object to GAO's decision. They say it conflicts with SBA's long-standing regulations and its view that 8(a) companies and those owned by service-disabled veterans and HUBZone companies are all equals. On July 10, OMB told agencies to disregard GAO's decision.

"If agencies were to follow the GAO decisions, the federal government's efforts to procure goods and services from 8(a) small businesses and from [service-disabled, veteran-owned small businesses] through the other statutory programs may be negatively impacted," Office of Management and Budget Director Peter Orszag wrote on July 10.