

CHRISTOPHER S. BOND, MISSOURI, CHAIRMAN
CONRAD R. BURNS, MONTANA
PAUL COVERDELL, GEORGIA
ROBERT F. BENNETT, UTAH
OLYMPIA J. SNOWE, MAINE
MICHAEL ENZI, WYOMING
PETER G. FITZGERALD, ILLINOIS
MIKE CRAPO, IDAHO
GEORGE V. VOINOVICH, OHIO
SPENCER ABRAHAM, MICHIGAN
JOHN F. KERRY, MASSACHUSETTS
CARL LEVIN, MICHIGAN
TOM HARKIN, IOWA
JOSEPH I. LIEBERMAN, CONNECTICUT
PAUL D. WELLSTONE, MINNESOTA
MAX CLELAND, GEORGIA
MARY LANDRIEU, LOUISIANA
JOHN EDWARDS, NORTH CAROLINA

EMILIA DISANTO, STAFF DIRECTOR
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

February 1, 2000

The Honorable Aida Alvarez
Administrator, Small Business Administration
409 Third Street SW
Washington, DC 20416

Dear Administrator Alvarez:

Recently my office was contacted by SBA for guidance on how to proceed with setting Fiscal 2000 small business participation goals for agencies with procurement authority. I understand SBA has had difficulty working with Federal agencies to reach the 23% Government-wide threshold for small business participation, as mandated by law.

In response to SBA's request, however, I do not believe it is possible for me to grant SBA a waiver for compliance with the statute. The law setting the 23% goaling threshold, the Small Business Reauthorization Act of 1997, was passed by both the Senate and the House of Representatives and signed into law by President Clinton. It would not be appropriate for one Senator, even a Committee chairman, to attempt to authorize an agency to disregard the will of the full Congress and of the Executive Branch.

In my opinion, SBA has other options. Preliminary data on Fiscal 2000 goals indicates that several agencies were below the goals they had set in Fiscal 1999. At the very least, these agencies should seek to provide the same level of small business participation that they sought in the previous fiscal year.

Second, I believe the Department of Energy (Department) may well be able to contribute more toward this goal than they seek at present. Although I was well aware that the Department's prime contracting goal would necessarily decline as a result of the recent policy change--moving Management and Operating (M&O) small business subcontracting statistics out of the prime contracting column and into the subcontracting column, where they belong--I do not believe this should automatically relieve the Department from reviewing options to enhance small business participation above the 2.9% currently proposed by the Department.

In particular, I would like to see the Department investigate whether some of their smaller installations might be effectively managed using a team of small business prime contractors. This could increase the Department's vendor base and enhance competition, while also improving small business participation. In the past, treatment of M&O small business subcontracts as agency prime contracts made a review of these options unnecessary. However, the recently adopted change provides a real opportunity to "reinvent Government" and

The Honorable Aida Alvarez
Page Two

investigate options that may have been overlooked previously. I realize that this is probably not realistic for larger facilities run by large M&O contractors, but I would like to see this option reviewed for facilities where it might be appropriate and workable.

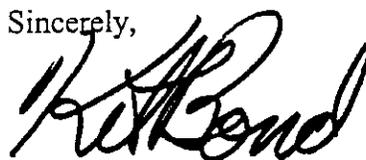
Finally, and most importantly, SBA's current difficulty in meeting the statutory 23% goal provides an excellent opportunity for you to highlight the harm being perpetrated by contract bundling and other procurement "reforms" that have hindered small business participation. Too many policymakers believe that their "reforms" have no real-world impact on small business, or that such impacts are of no importance. Failure to achieve a 23% goal provides real evidence that these "reforms" do in fact have real consequences that cause the Government to fail in its commitments to small business. This argument makes a potent weapon in challenging bundling and acquisition streamlining, and we should be unwilling to cast that weapon aside by meekly pretending not to notice the statutory goals.

I encourage you to raise this concern about bundling in the inner councils of the Executive Branch at every opportunity. President Clinton's decision to grant Cabinet-level rank to SBA provides you with a bully pulpit that I hope you will use to heighten awareness about the importance of small business. Agencies must understand that small businesses are not a burden to their agencies; instead, small businesses are innovative, fast-moving, flexible, and competitive, and can help agencies carry out their overall missions more effectively and efficiently. Small business participation in Federal contracting is a help, not a hindrance.

Moreover, I urge SBA to challenge bundling aggressively under the new rules effective last December 27. If you believe those tools are inadequate to the task, I would welcome constructive suggestions on how the bundling statutes might be toughened to give SBA the tools it needs. The upcoming 2000 reauthorization process provides an opportunity to write stronger tools into law.

These are my reasons for declining to overlook the 23% goal or for presuming that it is not achievable in spite of the Congressional mandate. I look forward to working with you to fight bundling and find new opportunities for small business participation. If you have further questions about this letter, please feel free to contact Cordell Smith of my Small Business Committee staff on (202)224-

Sincerely,



Christopher S. Bond
Chairman