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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

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February 25, 1999

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

Dear Administrator Alvarez:

It is with increasing concern that I note SBA may be off-track in implementing the new HUBZone program. Initially, SBA seemed to be making good progress, with a useful World Wide Web site and the issuance of final HUBZone regulations last June. Development of an electronic application, to avoid unnecessary hassle for small business owners, was encouraging. Lately, however, SBA seems to have lost its way. Even as HUBZone appropriations continue to be expended in the development of the program, SBA does not seem to place a high-enough priority on making the decisions necessary to roll-out the program.

Fiscal 1999 is now one-third over. To date, not a single contract has been awarded through the HUBZone program. Moreover, it is currently impossible to make any awards for the immediate future, since the electronic application has not yet been made available. Without applications from HUBZone small business concerns, SBA cannot compile a list of qualified HUBZone concerns. Without such a list, contracting officers cannot award contracts through the HUBZone program. My great fear is that, by the time those steps are taken, the amount of contracting dollars still available in Fiscal 1999 will be too small to accomplish the 1% Government-wide goal.

As just one example of many that have come to my attention, I enclose a copy of a letter from a potential HUBZone applicant that illustrates the lost opportunities that are passing us by. Small businesses like Environmental Management, Inc., are ready to put the job-creating power of small business to work in our nation's poverty-stricken areas. Until SBA gets applications available, however, our nation's distressed inner cities, rural counties, and Indian reservations continue to wait for relief.

Let me emphasize that, as far as I am concerned and as far as the HUBZone Act provides, the program took effect on October 1, 1998, when the 1% goal took effect. SBA indicated in several public forums its intent to roll out the program formally on January 1, 1999. When this did not occur, I asked you during your January visit what the revised timetable was, and you indicated February 1. That deadline has now come and gone, and the program is still not implemented.

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I have also now had the opportunity to assess more carefully your explanation for the delays in HUBZone Program implementation. During our conversation on February 3, 1999, you indicated that the delay was due to the slow pace of a rulemaking to make conforming changes to the Federal Acquisition Regulation (FAR). I must object strongly to that explanation. In fact, changes to the FAR were published in the Federal Register on December 18, 1998. Those rules were published as an interim rule, effective January 4, 1999--more than seven weeks ago. Contracting officers throughout the Government now have the authority to carry out the 1% goal in their procurement actions, but because SBA has not approved its application and compiled a list of qualified small businesses, these contracting officers are unable to make any contract awards under the program.

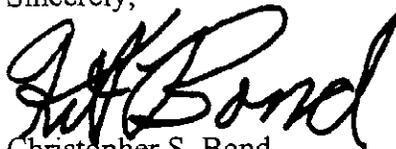
Coupled with the above-noted concern, I am equally troubled that although HUBZone applications have not been made available, qualified HUBZone small business concerns have not been selected, an Associate Administrator for HUBZones has not been formally hired, and a supporting staff not created, SBA has expended \$2 million in taxpayer funds on the HUBZone effort. In light of this and as I requested at our meeting, I would like a detailed, itemized accounting of how SBA spent its \$2 million appropriation for Fiscal 1998.

In addition, I would like a timetable for completing the remaining major actions in implementing the HUBZone Program: namely,

- Reviewing, fine-tuning, and approving the electronic application and making it available to the public;
- Acting promptly to select a HUBZone Associate Administrator; and
- Providing the Associate Administrator with adequate staff and other resources necessary to implement successfully the letter and spirit of the HUBZone law.

I would like a timetable for completing these actions, and the information on the Fiscal 1998 appropriations, submitted to me by March 5, 1999. Should you have any questions regarding these requests, please contact Cordell Smith of my Senate Small Business Committee staff on (202)224-

Sincerely,



Christopher S. Bond
Chairman