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## United States Senate

COMMITTEE ON SMALL BUSINESS  
WASHINGTON, DC 20510-6350

March 16, 1999

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

HAND-DELIVERED

Dear Administrator Alvarez:

This letter is to express my disappointment with the lack of specificity in the Small Business Administration's response to my February 25 letter on the HUBZone program. I am including several questions to obtain the detail necessary for an adequate assessment of SBA's expenditures and activities relating to this program.

I also repeat my earlier views with respect to the HUBZone regulations incorporated into the Federal Acquisition Regulation (FAR). Nothing in those rules prevents SBA from approving its HUBZone applications and making them available to interested small businesses. The application process is within SBA's jurisdiction, as the FAR rules expressly acknowledge:

Status as a qualified HUBZone small business concern is determined by the Small Business Administration (SBA) in accordance with 13 CFR part 126.  
*[FAR § 19.1303(a)]*

Application procedures are set out in SBA's HUBZone rules, published June 11, 1998. The FAR rules say nothing about how HUBZone small business concerns may qualify, other than to reference or re-state SBA's rules. Even if the FAR rules had in any way conflicted with SBA's rules with respect to applications, SBA's rules would prevail. The HUBZone Act requires that the FAR implement SBA's rules, not the other way around.

In my opinion, SBA's time would be better spent on getting the applications approved and available to the public, rather than on attempting to pass the buck and blame the FAR agencies for the delay.

My concern is even greater regarding SBA's use of the HUBZone appropriation for Fiscal 1998, particularly after reviewing the general financial breakdown SBA provided. I now request a similar breakdown of HUBZone expenditures for the first quarter of Fiscal 1999. I also have several specific questions about the information you sent me on HUBZone expenditures for Fiscal 1998. The following questions are numbered to assist you in ensuring that you address

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each one adequately; please use the corresponding question number to identify the answer you submit to each question. (Headings refer to the spending item mentioned in your letter.)

**Salaries/Expense and Overhead.** [1] Please provide a list of names, titles, and percentage of work time dedicated to the HUBZone program for each person whose salary was paid from the HUBZone account, and the date each person was hired or assigned to the program. Also, since the HUBZone Associate Administrator has not been selected, I would like to know the names and titles of the persons to whom these people report. [2] How much of the \$324,375 is construction-related costs? [3] Please describe the construction undertaken under this item. How many rooms were affected? What types of changes were made? [4] When and how was the decision made to do this construction work?

**Marketing Material and Outreach.** This item reflects the cost of hiring a contractor to prepare marketing materials and a transfer of funds to the Tribal Business Information Centers. [5] Please provide samples of all the marketing materials paid for with these funds. [6] How much funding was transferred to the TBICs for HUBZone training? [7] How much total funding did the TBICs receive from all sources, and what percentage of that total was derived from the HUBZone account?

**Consultant Services.** You note that SBA spent \$81,219 to develop mapping software that would enable small businesses to ascertain the location of HUBZones near them. This would also help small business owners verify whether 35% of their employees reside in a HUBZone, as the statute requires. I believe this is an important and valuable effort, and I hope to see tangible results from these expenditures very soon.

Your letter also notes that the mapping software will illustrate “other important geographic destinations (e.g., Empowerment Zones and Empowerment Communities, Brownfields, etc.), as well as a variety of SBA resources.” [8] Did the funding sources for those other resources contribute to defraying the cost of the mapping software development, or was the entire effort funded by HUBZone appropriations? Please indicate the source and amount of any contribution toward this effort provided from other appropriations.

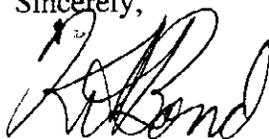
Finally, I must note that your letter does not adequately respond to my request for a timeline for unveiling the HUBZone program. You note that you “intend” to roll-out the program “in late March,” that you will make the applications available “when the program starts,” and that you “hope to make a decision very soon” on hiring the HUBZone Associate Administrator. These phrases do not constitute a timeline. SBA’s vagueness in committing to the HUBZone program is a major source of the frustration that I, and potential small business participants, feel. Without a firm commitment to specific dates, SBA repeatedly succumbs to the temptation to defer action, delay approval of the HUBZones application, and focus its efforts on other SBA priorities.

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As the author of the legislation that became the HUBZone Act of 1997, I have a personal attachment and commitment to this program. It is a high priority with me. It is also a high priority with small businesses that hope to participate in the program. The jobs this program would create in our nation's distressed areas are a high priority with the residents of those areas. These constituencies are looking to SBA for prompt action to carry out the HUBZone program.

Please provide your detailed response to these issues by Friday, March 26. To ensure that SBA's response adequately addresses the issues raised here, Cordell Smith of my Senate Small Business Committee staff will call to follow-up on this letter and to clarify any points as may be necessary. In the interim, you should also feel free to contact him on (202)224-

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written in a cursive style.

Christopher S. Bond  
Chairman

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