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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

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

June 6, 2000

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

Dear Administrator Alvarez:

As part of a series of letters last year (copies enclosed), I sought additional details on how the Small Business Administration used its entire Fiscal 1998 HUBZone appropriation of \$2 million without managing to have the HUBZone program up-and-running. In your letter of March 26, 1999, you indicated that \$350,000 of this appropriation was obligated for support of the Tribal Business Information Centers (TBICs), which provide valuable information on business opportunities on Indian reservations. Of the total of \$607,000 made available to the TBICs in Fiscal 1998, 58% was drawn from the HUBZone account.

In subsequent staff discussions on April 13, 1999, SBA staff indicated that this amount was not actually outlaid during Fiscal 1998, but was merely obligated to avoid losing this amount as an unobligated balance that would otherwise lapse back to the Treasury. During the course of Fiscal 1999, it was expected the TBICs would apply for specific grants from this funding to use for business promotion activities.

Fiscal 1999 concluded several months ago, so I hope numbers are now available to detail just how the HUBZone program benefitted from the HUBZone funds transferred to the TBICs. Accordingly, I have attached a page of questions concerning the final outcome on these transactions, and I would appreciate your prompt and thorough response. The questions are numbered for your convenient reference; in your response, please indicate by number each question to which you are responding, and restate the question prior to your answer.

The TBICs can play a central and valuable role in educating Native American communities about the opportunities available under the HUBZone program. I support making funds available to provide HUBZone information to Indian country and to Alaska Natives. In fact, I recently introduced a bipartisan bill to expand HUBZone opportunities even further for Indian Tribal enterprises and Alaska Native Corporations.

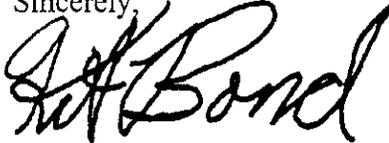
However, I also believe strongly that funds appropriated by the Congress for the HUBZone program should be used for that purpose. I look forward to your detailed presentation on what the HUBZone program bought with its funds transferred to the TBICs.

The Honorable Aida Alvarez
Page Two

Second, your letter of March 26, 1999 indicated that SBA allocated 10% of the Fiscal 1998 HUBZone appropriation to cover indirect costs to different SBA offices involved in implementing the program, and also indicated that you expected to do the same in Fiscal 1999. This is a curious practice, and I would like more details on how the rationale behind it. I am especially interested in how SBA determines whether a program is subject to such an overhead charge, and whether this is simply a short-run practice while the HUBZone program is being organized or whether it will continue indefinitely. Thus, I have provided additional questions on this practice on the attached sheet.

Thank you, as always, for the work you do on behalf of HUBZone small businesses and all small business. I look forward to your response to these questions. Since the Congress is currently developing the Commerce-Justice-State Appropriations bill, your timely response will be most helpful. Please provide your response not later than June 30, 2000.

If you have questions about this letter, please contact Cordell Smith of my Small Business Committee staff on (202)224-

Sincerely,


Christopher S. Bond
Chairman

CSB:ces

Questions concerning the HUBZone program budget

[1.] (a) Please provide a detailed, itemized list of the grants or other outlays made from the \$350,000 obligated from the Fiscal 1998 HUBZone appropriation for the benefit of the Tribal Business Information Centers (TBICs). Since these funds were derived from the HUBZone appropriation, please also explain how each of those grants and outlays directly benefitted the HUBZone program. (b) Also indicate the amount of any obligated balance still remaining that has not yet been outlaid. The sum of the amounts in questions (a) and (b) should be \$350,000. Please provide answers to these questions as of September 30, 1999, although I would appreciate more current data if they are available.

[2.] Your letter of March 26, 1999 indicated that SBA expected to allocate 10% of the Fiscal 1999 HUBZone appropriation to cover indirect costs to different SBA offices involved in implementing the program. Did you in fact do so, and if so, what was the actual amount allocated for this purpose in Fiscal 1999?

[3.] (a) Since the HUBZone program was actually implemented in Fiscal 1999, and now has its own staff to handle its affairs, has SBA continued to allocate 10% of the HUBZone appropriation to cover other costs? (b) Was such an allocation done with the Fiscal 2000 appropriation, and if so, what was the actual dollar amount involved? (c) What incidental or indirect costs are still being imposed on SBA by the HUBZone program to justify this practice in Fiscal 2000? (d) Do you expect to continue this practice in Fiscal 2001?

[4.] (a) Please provide a complete list of all SBA programs that are treated similarly. What programs are charged a 10% (or other percentage) overhead cost, and what programs are not? (b) What objective criteria are used to identify programs that incur substantial indirect costs to the agency and to identify those programs that do not warrant such an allocation? (c) Where are such criteria published to ensure uniform application of those criteria? Please provide copies.

[5.] (a) If the Congress creates a separate line item in the Commerce-Justice-State Appropriations bill for SBA's administrative expenses, as SBA requested in the Fiscal 2001 budget submission, will this amount be used to cover all administrative costs? (b) Do you anticipate continuing to transfer percentage amounts from other accounts to cover administrative expenses, over and above the amount to be funded as a specific appropriation line-item? (c) If so, why?

[6.] Please provide a summary of how the Fiscal 1999 HUBZone appropriation was obligated or outlaid, as the case may be.

Please provide your response not later than June 30, 2000. If you have questions about this matter, please contact Cordell Smith of the Senate Small Business Committee staff on (202)224-3594.

CHRISTOPHER S. BOND, MISSOURI, CHAIRMAN

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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

EMILIA D'SANTO, STAFF DIRECTOR
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

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.

The Honorable Aida Alvarez
Page Two

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,*

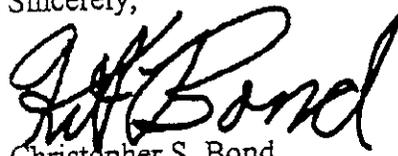
--Reviewing, fine-tuning, and approving the electronic application and making it available to the public;

--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



ENVIRONMENTAL MANAGEMENT, INC.
NATIVE AMERICAN ENTERPRISE

January 25, 1999

Senator Christopher Bond
Senate Committee on Small Business
428A Russell Senate Building
Washington, D.C. 20510

RE: HUBZone legislation

Dear Senator Bond,

I am very concerned with the delay in implementation of HUBZone legislation.

Our company is Native American owned and operated, and is located in a HUBZone. We are prepared to participate in this program, but the Small Business Administration doesn't have any applications available.

Most federal agency procurements for this year will be on the street by spring. HUBZone Small Business Concerns will miss these opportunities for FY99 if the Small Business Administration doesn't act soon.

Any help you can give to us would be appreciated.

Sincerely,

Environmental Management, Inc.

Jerry L. Walkingstick
President

JLW/dcz

ENVIRONMENTAL MANAGEMENT, INC., 700 S. WOODRUFF, IDAHO FALLS, IDAHO 83401

Phone 208-522-1117 • Fax 208-522-9908 • E-Mail emi@em-inc.com • Web Site em-inc.com



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

March 8, 1999

Honorable Christopher S. Bond
Chairman
Committee on Small Business
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your letter of February 25, 1999, concerning the U.S. Small Business Administration's (SBA) implementation of the HUBZone Empowerment Contracting program (HUBZone). Let me assure you that the HUBZone program is a top priority of the Clinton Administration. SBA has spent considerable time and resources preparing to implement the program, and has set aggressive goals to accomplish our objectives. For example, SBA issued its proposed HUBZone regulations on April 2, 1998, and finalized them on June 11, 1998, six months after the statute was enacted.

We intend to officially inaugurate the new HUBZone Empowerment Contracting program in late March and begin processing applications at that time. Federal agencies will then be able to begin awarding contracts under the program. I am confident that ample procurement opportunities will become available throughout the remainder of this fiscal year to meet the 1 percent government-wide goal. The pattern of Federal procurement purchasing has well shown that the majority of Federal procurement activity occurs during the latter half of the fiscal year.

While we would have preferred to kick off the program earlier, the SBA decided to delay implementation of the HUBZone program until after the FAR interim rule comment period expired on February 18, 1999, so that we would have the benefit of the comments and the likely direction of the finalized FAR before finalizing our application and implementation plans. In fact, we believe commenters raised important policy and technical issues that will need to be reconciled before the interim FAR regulation is finalized in mid to late April. In the meantime, we are now pressing forward with our HUBZone program application development.

The following is in response to your request for an itemized account of how SBA spent its \$2 million appropriation for fiscal year 1998:

- Salaries/expense and overhead..... \$324,375
Includes the time of existing SBA staff working to implement the program. Also includes cost associated with building and furnishing the space to be occupied by the HUBZone staff.

 - Automated system development..... \$482,749
Includes the cost of developing a system to process and track applications of prospective HUBZone businesses.

 - Data collection research..... \$400,000
Includes the cost to hire contractors to prepare a research design for measuring the impact of the HUBZone program.

 - Marketing material and outreach..... \$609,660
Includes the cost of hiring a contractor to prepare marketing materials for the HUBZone program, funds provided to the Tribal Business Information Centers to conduct HUBZone training, and cost associated with conducting HUBZone training sessions.

 - Supplies and equipment..... \$101,790
Includes the cost of computer and related office equipment.

 - Consultant services..... \$ 81,219
Includes contractor cost associated with developing mapping software for the HUBZone website. Also covers the cost associated with preparing CD-ROMS of mapping software for distribution to SBA district and local offices.
- Total \$1,999,793

With respect to the electronic application, it will be available to the public via the Internet when the program starts. There will also be a paper version available that can be downloaded to a PC. We also will provide interactive mapping software on our website

that will allow prospective businesses to determine whether they are located in a HUBZone. Likewise, they can check to see if their employees live in an eligible HUBZone site. The completed system will serve as a handy tool for local businesses to generate local maps of their neighborhoods. It will also be capable of depicting graphically other important geographic destinations (e.g., Empowerment Zones and Empowerment Communities, Brownfields, etc.), as well as a variety of SBA resources. Copies of the mapping software will be provided to SBA district offices for use by businesses who might not have access to the Internet.

In response to your question regarding staffing, we are currently entering the final selection phase for the HUBZone Associate Administrator from a pool of top candidates. We hope to make a decision very soon. We have also posted announcements to fill the remaining 9 program positions. Insofar as other resources needed to run the program, we are utilizing a number of career SBA employees.

Existing personnel in SBA's government contracting area offices, One Stop Capital Shops, and district offices will help promote the program in the field. We have already begun to provide them with appropriate training to make sure that they are fully informed about the program once it is kicked off. Because they have a direct rapport with our customers throughout the nation, our field staff will be key to the successful implementation of the HUBZone program. Staff from the 10 participating Federal agencies will supplement SBA staff resources in identifying contracting opportunities for HUBZone businesses. As a result, our expectation is there will be sufficient staff resources to begin program operations. In addition, if the Congress approves our FY 2000 Budget Request for an increase in HUBZone funding, we will be able to hire an additional 19 staff to bolster the program's field component.

In addition, the staff has been working on several other tasks associated with implementing the program. As mandated by Congress, we are well into the design of a research program that will enable us to measure the program's impact, and report to the Small Business Committee. Our consultants will provide SBA staff with a methodology for benchmarking the qualified HUBZone areas and measuring any increases in employment and investment opportunities. They will identify needed changes in the Federal Procurement Data System to capture required data on contracts awarded to successful HUBZone businesses.

During the past year, SBA staff have worked hard to begin educating Federal agencies and prospective HUBZone small businesses about the eligibility requirements for program participation. These efforts have ranged from answering hundreds of e-mail inquiries to conducting many formal educational seminars and presentations across the country. In August 1998, we provided partial funding to the Tribal Business Information Center Program to help cover operating expenses for counseling and training. The Centers will provide one-on-one technical assistance to tribal entrepreneurs,

Honorable Christopher S. Bond

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as well as HUBZone Empowerment Contracting Opportunity training. The response to these sessions has been overwhelmingly positive and is a good indication of the likely success of this program.

In the area of program outreach, we have devoted significant staff and resources to ensure public awareness and understanding of the program. We have begun drafting instructional materials and program fact sheets for use by the participating Federal agencies that are responsible for identifying prospective procurement opportunities for the HUBZone program. Similar materials are being prepared to notify our small business constituents, including 8(a) firms, and state and local government offices about the program.

We are in the process of finalizing our marketing and informational materials to continue our aggressive promotion of the program to our constituencies. We are also exploring the possibility of working with participating agencies to broadcast a HUBZone conference live via satellite or over the Internet to counties and cities throughout the country. The broadcast would provide the opportunity for a dialogue with potential program participants, and state and local officials. We have also begun the development of a HUBZones video that we will use to promote the program and help disseminate program information.

Please let me know if you need additional information. I feel strongly that the HUBZone program will be a big success and we look forward to keeping you apprised of our progress in carrying out SBA's responsibilities.

Sincerely,

A handwritten signature in black ink that reads "Aida Alvarez". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Aida Alvarez
Administrator

CHRISTOPHER S. BOND, MISSOURI, CHAIRMAN
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EMILIA DISANTO, STAFF DIRECTOR
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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

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.

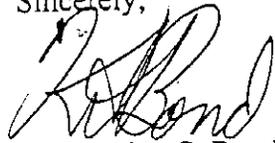
Finally, I must note that your letter does not adequately respond to my request for a timeline for unveiling the HUBZone program. You note that you “intend” to roll-out the program “in late March,” that you will make the applications available “when the program starts,” and that you “hope to make a decision 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.

The Honorable Aida Alvarez
Page Three

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 "C. Bond", written in a cursive style.

Christopher S. Bond
Chairman

CBS:ces



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

March 26, 1999

Honorable Christopher S. Bond
Chairman
Committee on Small Business
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your letter of March 16, 1999, in which you requested additional information concerning the U.S. Small Business Administration's (SBA) implementation of the HUBZone Empowerment Contracting program (HUBZone).

As you know, the HUBZone Empowerment Contracting Program was launched on March 22, 1999. We began receiving applications that day, which we are now reviewing. We are pleased that we have already certified our first program participant. This program has already generated a great deal of interest. The HUBZone website has already had more than 150,000 hits during its first 3 full days of operation.

HUBZone Expenditures for Fiscal Year 1998

The following information is in response to your specific requests for clarification on our Fiscal Year 1998 HUBZone expenditures. Please note that some of the costs identified in our March 8, 1999, letter reflected Fiscal Year 1998 obligation of funds, but may not represent the full expenditures as explained below:

• **Salaries/Expense and Overhead**

Answer to question (1): The \$324,375 does not include any direct salary cost. The Agency allocated 10 percent (\$200,000) of the amount appropriated to cover these indirect costs to implement the program, which was low for the start-up costs incurred. This amount covers the indirect cost of staff in various program offices working on the HUBZone program implementation. The remaining \$124,375 was construction related.

Michael McHale, Acting Associate Administrator for HUBZone, has worked virtually 100 percent of his time in Fiscal Years 1998 and 1999 on HUBZone implementation. Mr. McHale's salary is \$94,098. The staff listed below in the offices of Government Contracting & Minority Enterprise Development, General Counsel, Chief Information Officer, Chief Financial Officer, and Administration supported the HUBZone implementation effort during

Fiscal Year 1998. In Fiscal Year 1998, we assigned teams of experienced SBA staff and attorneys as required to write the regulations and address policy issues related to program implementation. The chart below reflects the appropriate staff reporting relationships.

Government Contracting & Minority Enterprise Development

Richard Hayes	Associate Deputy Administrator
Calvin Jenkins	Deputy Associate Deputy Administrator
Mike McHale	Acting Assistant Administrator
Arthur Collins	Deputy Assistant Administrator
Linda Davis	Management Analyst

General Counsel

Mark Stephens	Deputy General Counsel
David Kohler	Associate General Counsel
John Klein	Attorney Advisor
Laura Mann	Attorney Advisor
Dale Rettig	Attorney Advisor
Robert Gangwere	Attorney Advisor
Amy Brown	Attorney Advisor
David Gordon	Attorney Advisor
Kandace Zelaya	Attorney Advisor

Chief Information Officer

Fred Klein	Supervisor Computer Specialist
Chet Francis	Computer Specialist

Chief Financial Officer

Greg Walter	Deputy Chief Financial Officer
Mina Sumpter	Financial Specialist
Gene Lambey	Budget Analyst

Administration

Ken Etheridge	Support Service Supervisor
Catherine Fletcher	Supervisor Space Management
Michelle Hodges	Space Management Specialist
Evelyn Prentice	Space Management Specialist

Answer to question (2): \$124,375 of the \$324,375 was construction related.

Answer to question (3): SBA secured additional space adjacent to its existing office space at 409 Third Street, SW, to accommodate ten HUBZone staff members. We constructed hard-walled offices for three senior staff and purchased systems furniture and needed equipment for seven program staff.

Answer to question (4): During the second quarter of Fiscal Year 1998, SBA determined that additional space was needed to accommodate the HUBZone staff. At that time, SBA worked with the General Services Administration to secure the office space.

- **Marketing Material and Outreach**

Answer to question (5): As I mentioned in my letter of March 8, 1999, we are now in the process of finalizing our marketing materials. These include brochures, program inserts, videos, posters, and banners. Because final decisions on the program application and FAR regulations needed to be resolved, we could not go final with the materials. Once the materials are completed within the next few weeks, I will be happy to forward to you samples of the HUBZone material.

Answer to question (6): A total of \$350,000 was transferred and obligated to the TBICs for HUBZone training and outreach. All TBICs are located on Indian reservations, which are HUBZones. We conducted a HUBZone training program for all 17 TBICs in Albuquerque, New Mexico. Additional training is planned for Fiscal Year 1999. In addition, we provided funds to 14 TBICs directly to help implement the program on reservations.

Answer to question (7): The TBICs received a total of \$607,000, of which 58 percent was derived from the HUBZone account.

- **Consultant Services**

Answer to question (8): The funding sources for the other resources did not contribute to the cost of the mapping software development. The development of the mapping software included functionality features that will make it very easy for SBA to add additional resources, such as databases. The HUBZone program is multifaceted and will complement many programs. These additional resources will help increase the viability of these businesses.

- **HUBZone Implementation Timeline**

February 28, 1999	Betty Toulson hired as a HUBZone senior staff member.
March 18, 1999	Michael McHale selected as Acting Associate Administrator for the HUBZone program. A permanent Administrator will be hired by June 1999.
March 22, 1999	SBA issues press release announcing the availability of the HUBZone applications.

March 22, 1999	Updated HUBZone web page unveiled which includes an Electronic HUBZone application.
After March 22, 1999	Marketing of the HUBZone program. A variety of outreach events are planned to identify and certify firms and to have Federal agencies award HUBZone contracts.
March 28, 1999	Brenda Washington will permanently be assigned as a HUBZone senior staff member.
Mid April	Final FAR regulations published.

HUBZone Expenditures for the First Quarter of Fiscal Year 1999

In the first quarter of, and throughout Fiscal Year 1999, SBA aggressively moved forward with the full implementation of the HUBZone program. In addition to appointing Michael McHale as the Acting Associate Administrator for the HUBZone program, we also transferred Betty Toulson on February 28, 1999. Brenda Washington will be on board permanently on March 28, 1999. We have also assigned two attorneys full time to the HUBZone program. These senior staff members will assist with program implementation and certification of eligible businesses. We will continue with the hiring of permanent staff to provide dedicated support to this program.

During Fiscal Year 1998, and the first quarter of Fiscal Year 1999, SBA relied heavily on existing SBA staff and other support to arrive at the point of program implementation. We have not yet formally recorded the charge-back to the HUBZone program of the Fiscal Year 1999 overhead amount. We intend to charge an overhead amount of 10 percent of the Fiscal Year 1999 appropriation to cover these services. Additionally, as permanent staff is brought on our payroll, the salary costs will be charged directly to HUBZone funding. Other direct support costs related to program implementation will also be identified throughout the year and charged to the HUBZone program. This includes travel, outreach, computer support and maintenance, supplies, etc.

Thank you for the opportunity to provide additional information. I look forward to continue working with you on small business issues.

Sincerely,


Aida Alvarez
Administrator