

Congress of the United States

Washington, DC 20515

February 7, 2002

The Honorable Héctor Barreto
Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Dear Administrator Barreto:

We are writing to you as Members of the Congressional Hispanic Caucus to express our alarm and concern over the proposed rule issued by the SBA on Monday, January 28, 2002. This rule makes several changes to the SBA's HUBZone Program that would effectively erase the 8(a) Program.

The 8(a) Program is a powerful tool for minority-owned businesses seeking to enter the Federal marketplace. Sixty percent of Federal contract dollars to minority businesses flow directly from the 8(a) Program. The 8(a) Program is particularly critical to Hispanic-owned businesses, America's fastest-growing entrepreneurs. In fiscal year 2000, nearly a quarter of 8(a) participants were Hispanic-owned businesses, accounting for more than 31 percent of all 8(a) contract awards.

Unfortunately, the number of 8(a) contracts has fallen during the last three years, effectively excluding more minority-owned companies from federal business opportunities. In light of this disturbing trend, we firmly ask that you withdraw the regulation that would destroy the 8(a) Program by erasing its existing priority over the HUBZone Program.

This regulation directly contradicts the intent of Congress when it created the HUBZone program. When HUBZone was first approved in 1997, the House, the Senate and the SBA explicitly agreed that it should not interfere with the 8(a) Program.

The reason for this agreement was clear: Congress recognized that inequities still exist for minorities in the federal contracting arena, and did not intend HUBZone firms to compete directly for those opportunities. The new language proposed by the SBA contravenes Congressional intent. If this proposal takes effect, minority businesses will see a further decline in their federal contracting opportunities.

In addition, the proposed regulation subverts the true intent of the HUBZone program by opening the federal contract sluice-gates for companies that would never otherwise qualify for priority. This end-run around Congressional intent will only increase the number of HUBZone companies, diluting the original goal of community development while further diminishing the power of 8(a) firms to win federal contracts.

If this regulation goes forward, SBA will achieve by regulatory fiat what the courts and Congress refused to do: destroying the last bulwark of anti-discrimination and arresting 30 years of progressive opportunity for minority entrepreneurs.

The SBA's attempt to impose "parity" on these two programs will seriously harm minority and women entrepreneurs by reducing their share of federal contracting opportunities. The SBA has admitted as much in the proposed regulation that states: "Non-HUBZone concerns currently participating in the Federal marketplace will be affected economically as a result of their not being eligible to compete for contracts that are restricted to the HUBZone Program." We hope you can appreciate how this admission contravenes the intent of Congress.

At a minimum, given the controversial and critical nature of these programs, we request that you extend the comment period by 60 days for a total of 90 days. This will allow us to engage in a true dialogue on this issue, with broad input from the business community.

In conclusion, we applaud the outstanding job you have done at the SBA in just a few short months, during a most trying and critical period in our history. Now we appeal to you to exert that same leadership to protect this minority business program by withdrawing or negating this proposed regulation.

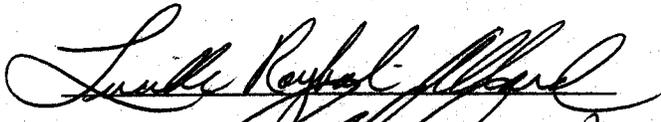
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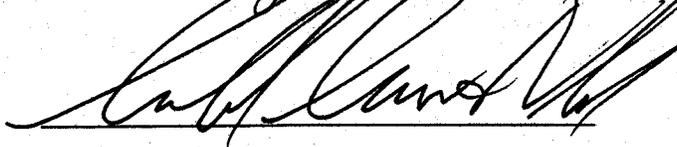
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