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SMALL BUSINESS ADMINISTRATION'S CONTRACTING PROGRAMS

CONGRESSIONAL TESTIMONY
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To

HOUSE COMMITTEE ON SMALL BUSINESS

Honorable Nydia M. Velazquez, Chairwoman

By

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President/CEO

Madame Chairwoman, distinguished members of this Committee thank you for giving the National Black Chamber of Commerce the opportunity to speak about the contracting programs of the Small Business Administration. We will submit a full testimony within the subsequent 5 day time span. But for now I want to voice a few important views about the current status of the SBA and how it impacts our membership.

The National Black Chamber of Commerce is a nonprofit, 501©3, organization that is dedicated to the economic development of African American communities through entrepreneurship and capitalistic activities. We have over 130 chapters located in 41 states and 8 nations. We have reach to over 100,000 Black owned firms and consider ourselves the largest business association representing Black owned firms.

Back in 1996, a Deputy Administrator of the SBA told my Board of Directors that the SBA was no longer going to concentrate on procurement and become simply a lending guarantee institution. We protested her attitude and demanded, and eventually received, her resignation. As time went by it appears that her forecast has slowly taken form. It was in the late 1990's that SDB contracting with the federal government was dropping at a rate of \$1 billion per year. In the early 2000's, it started to take a miraculous turn upwards. However, that appears to be due to misrepresentation, fraudulent reporting and a skyrocketing increase in Alaska Native Corporation activity. Minority businesses in the lower 48 states have been decimated in direct government contracting and subcontracting.

As a current example, the SDB contract participation in the Gulf Rebuilding seems to be approaching \$400 million in contracts to Black firms in forecasts. The activity of the NBCC in Southeastern Louisiana alone will account for over \$1 billion. I never would have thought that our fledgling organization would be able to produce more contractual dollars to the African American community than the Small Business Administration as it represents the federal government. While that is something we can boast about it is also a graphic description of how inept the SBA has become. That \$400 million would not have been realized if the NBCC didn't cry "fowl" to the Honorable Bennie Thompson, Chair of the Homeland Security Committee. FEMA jumped and we had \$400 million – the SBA isn't responsible for any of that.

Today, the SBA is void of exposure. There appears to be no federal agency liaison. There is no outreach. My local chapters for the most part do not know who runs their local district office of the SBA or where it is located. Most local Black chambers and their members have not seen an SBA representative since the turn of this century. District Directors, Business Opportunity Specialists, PCR, PTAC's, etc. – WHERE ARE THEY? I would say they are endangered species but it appears they for the most part are actually gone all together. If you want to do business with a federal agency you had better find a way to approach them directly. Firms who aren't disadvantaged are finding

that you hire a good lobbyist. Unfortunately, our membership cannot afford that luxury so we are finding other avenues.

We are instructing our chapters to encourage their members to pursue, as an alternative to the SBA, federal dollars that are directly distributed to state agencies such as HUD and USDOT funding. The primary source of contracting for our members in New Orleans is through the Housing Authority of New Orleans and other local entities receiving HUD monies. We have an excellent model in pursuing contracts with USDOT grants through state managed procurements in Illinois. All of our construction members in central and downstate Illinois are working at 100%+ capacity on highway construction work. The Illinois State Black Chamber of Commerce has been awarded two Technical Assistance grants (\$1 million+) by IDOT for their work in this area. Our reputation is such that the State of Ohio has appropriated \$1.2 million in grants to fund two additional Black chambers within their state to help inspire economic development in African American communities. The nation is starting to find alternatives to the SBA and that is a “sweet ‘n sour” state of affairs.

We are currently testing the utilization of partnerships with Alaska Native Corporations. The ANC's provide us with the technical assistance we cannot get from the SBA and also can do an adequate job in hunting down contract opportunities. The first test was with a special procurement with the Army Corps of Engineers in the Gulf. Our member, an 8a firm, and the ANC met with the Corps and identified an opportunity. The only obstacle to this was the local SBA office which became adversarial about the whole contract idea. We dug in our “heels” and the SBA eventually relented. Question: Why would the SBA be opposed to our 8a firm doing business with the Corps, even if it was with an ANC? What has become of the role of the SBA? We will expand our experiment with the ANC's (certain, select ANC's).

Another problem, and perhaps the most severe, is with the 8a certification process. Some of our members are having difficulty getting their 8a applications processed within the designated 45 days. I have one member from New Orleans who waited over 7 months with this process only to be told that he “was not socially or economically disadvantaged” and was “too dependent on one client”. I think it is hard to imagine a victim of the Katrina disaster not being economically disadvantaged and a lifetime resident of inner city New Orleans not being socially disadvantaged. The main reason he wanted to be in the 8a program was to attract new clients such as agencies of the federal government.

At the same time that our members are experiencing delays in the 8a process, we have “8a mills” operating around the DC area. These are “consultants” who assist a fledging minority business owner in applying for 8a status all the while assuring them it will take “2 to 3 weeks through our connections”. After they are granted 8a status the “consultant” has the business change its address to a place that will give them HUBZone status on top of the 8a classification. They will then execute a “hand shake agreement” that supercedes the information on the 8a application. They will manage the business with their project managers and run the business like any white male owned company. The federal

contracts come in one after another from a particular federal agency which gets credit for 8a participation and the sham takes over. This merits an investigation.

In addition to the above shameful activity, we have “super stars” which get into the 8a program and instantly become billion dollar contractors. Having little background or financing, as they are socially and economically disadvantaged, they miraculously become rivals in success to Bob Johnson, of BET, through simple federal contracting. Something sticks out like a sore thumb here and begs for investigation.

In essence, the NBCC is not going to sit around and lament about the good ‘ol days. We are moving on and finding ways to serve our constituency. But wouldn’t it be admirable if the SBA could be revived to where it once was. We support your efforts in making this happen and pray for your success.