

to 3.3 percent from 2.2 percent, HUBZones to nearly 2 percent from 0.75 percent, and veteran-owned businesses to 0.61 percent from 0.25 percent.

Some small-business advocates paint a much different picture. Congresswoman Nydia Velázquez, Democratic chair of the House Small Business Committee, said last summer that small businesses got only 21.9 percent of 2005 government procurements because contracts worth nearly \$12 billion went to large companies masquerading as small ones. She called for a raft of changes, including eliminating both sides from a contract if they wrongfully obtained it.

Similar calls come from the likes of Raul Espinosa, president and CEO of FitNet, a small-business purchasing and consulting alliance in St. Augustine, Florida, and organizer of the Fairness in Set-Aside Procurement Coalition, a group of small-business procurement advocacy organizations. Espinosa blames intentional misconduct and misinterpretation by procurement officials and government end-users. He'd like repeat offenders to lose funding. "If you make end-users accountable," he says, "you will stop that practice." Espinosa also wants rules changed so that small businesses are awarded contracts given wrongly to big bidders.

Some observers in the controversy place blame on both sides. Small companies often fail to appreciate the complexities of government contracting, says Judy Bradt, an Alexandria, Virginia, consultant who helps businesses get government work. She encourages entrepreneurs to devote themselves to the task and focus on working within the regulations rather than assuming they should win contracts by virtue of being small. "You must invest the time [to] understand the government procedures," she says.

It's certain that more change is coming. The SBA has a plan emphasizing education for procurement officials, who don't know enough about newer programs such as those for veteran-owned businesses. And a new rule will go into effect in July that requires small contract winners to recertify the size of their firms after the fifth year of their contracts. "You're not going to see large companies in our database any longer," Martoccia promises. But he doubts decertifying will change the SBA's 25.4 percent claim by more than 1 percent or so.

There may be bad news, too. Martoccia says the SBA is considering new size definitions, so companies in some fields where small once

**19%**  
of all IT spending  
in 2006 was  
done by small  
businesses.

## FLASH

### NIBBLES & BITS:

Hot food trends to watch: From bite-size desserts at upscale restaurants to portable snacks like McDonald's Snack Wraps, small portions are catching on in a big way.



Asian quick-service chains saw sales grow 15 percent to 20 percent in 2006, and that growth is likely to continue, according to restaurant consulting firm Technomic in Chicago. ... Look for Indian cuisine to heat up this year, say industry experts, along with Ethiopian, Pakistani and Bangladeshi foods.

## Hey, Big Spenders

What share of federal contracting dollars is getting? Here's a closer look, broken down by major procuring agencies.

AGENCY	FY 2006
<b>TOTAL</b>	<b>23.0</b>
Department of Defense	22.0
Department of Homeland Security	38.4
Department of Health and Human Services	29.6
Department of Veterans Affairs	26.7
Department of Agriculture	48.9
NASA	14.4
General Services Administration	42.1
Department of the Interior	53.1
Department of Justice	32.7
Department of Commerce	53.7
Department of Energy	4.1
Department of State	50.9
Department of the Treasury	29.1
Department of Housing and Urban Development	72.1
Department of Transportation	43.1
Department of Labor	34.9
Environmental Protection Agency	29.4
Social Security Administration	43.9
Federal Emergency Management Agency	75.0
Department of Education	6.1
Office of Personnel Management	16.6
Smithsonian Institution	20.2
Securities and Exchange Commission	68.7
Nuclear Regulatory Commission	36.7
National Science Foundation	46.1



SOURCE: General Services Administration, Federal Procurement Data System and Global Computer Enterprises Inc.

meant \$2.5 million to \$20 million in sales will no longer be ruled small at up to \$40 million in sales. A decision should be reached later this year.

Meanwhile, competition grows ever stiffer, Bradt says. In some areas such as IT, small bidders win fewer contracts than a few years ago. The war in Iraq also hurts, as the Department of Defense—which accounts for 60 percent of federal spending—emphasizes ever-larger procurements, making it more difficult for small suppliers to compete.

Whether you like the state of the government's dealings with small business or deplore it, the changes already planned by the SBA mean a new world of procurement. Says Martoccia, "It's a culture change."

—MARK HENRI