

SBA rule change forces fed contractors to prove size

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Critics say that provision shifts small business dollars away from their intended use. "We thought that that was improper, "

says the SBA's associate general counsel, John Klein. Almost 20 percent of the \$64.5 billion in revenue derived from small business contracts last year went to just 100 companies, according to research firm Eagle Eye Publishers. Many of those businesses are big companies. For example, GTSI, a Chantilly-based company with about 700 employees, generated almost a third of its \$886 million in 2005 revenue by reselling technology through small business contracts. The company didn't respond to requests for comment. Big companies aren't the only ones that feel threatened by the SBA changes. Businesses approaching the size limits for the restricted contracts could lose valuable work just as they start to grow. As a consequence, they would have to start competing with multibillion-dollar companies for more work. "We're now in essence thrown out to the wolves," says Matthew Hoffman, vice president and corporate counsel for Rockville-based CNSI, an information-technology provider.

CNSI qualified for small business contracts until 2003, and contracts won under that classification accounted for about 15 percent of its approximately \$100 million in sales last year. CNSI is considering buying small businesses to be more competitive with big companies. A change in the SBA rules could slow the growth of companies that buy smaller operations and lower the value of small businesses that want to be acquired. Some say any change could mean the companies that do qualify for small business contracts will have less ability to meet the needs of both federal agencies and the bigger businesses required to hire teams of subcontractors. Klein of the SBA, however, says that's a "big business" argument. Both sides might be partially right. "In the long term, small businesses will benefit because the government will have to recommit to even achieving its 23 percent goal," says Eagle Eye President Paul Murphy. "But in the short term, small businesses will lose because we would expect there to be a dip in the small business share of federal contracting."