

Too successful for their own good

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The situation has become even more difficult for small businesses involved in long-term contracts. As of November 2006, SBA requires companies to recertify their small-business status every five years. That regulation might mean some companies could lose their certifications midway through a long-term contract if they grow too large. Worse yet for small businesses, Congress might push for the recertification process to occur even more frequently. "If you have a company

that has just won a new contract and its revenue is over \$23 million, then SBA believes that [the company] can compete on the same level as multibillion international companies, " said Matt Hoffman, vice president and corporate counsel for Maryland-based IT provider CNSI. "The difference between \$23 million and \$5 billion is enormous.

"CNSI crossed the small-business threshold several years ago, and Hoffman said losing the benefits that come along with the small-business designation has put the company at a disadvantage. "We can't compete as a prime contractor, but we [also] can't compete as a subcontractor because middle-tier companies won't count for small-business funding, " Hoffman said. SBA, on the other hand, doesn't see midtier companies as part of the agency's mission. "The SBA program really isn't designed to further assist those firms, " said Calvin Jenkins, deputy associate administrator of government contracting and business development at SBA. Jenkins said SBA functions to help small businesses compete against larger businesses so they can eventually grow. The recertification rule, Jenkins said, is designed to prevent large businesses from taking money meant for small firms.

Hoffman said one solution to the midtier conundrum would be to create a new classification that sets aside a percentage of subcontracting cash to former small businesses, a fiscal award that would require a new set of standards and oversight. "I agree that there are companies suddenly thrust into no man's land, " said Guy Timberlake, chief executive officer of the American Small Business Coalition. Timberlake said he would favor creating a midtier classification but couldn't see any way to implement it without cutting into small-business contract money. Large businesses would fight any new classification, he added, as they did when the small-business subcontracting rules were established. The best thing for midtier contractors to do, he added, would be to figure out what role they play in subcontracting and apply for those

contracts that coincide with their areas of expertise.