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Is Obama Thinking Small?

March Issue

Hiram Soto, for Hispanic Business magazine

As the federal government fights to revive the ailing U.S. economy, business leaders want the Obama administration to swiftly address the challenges that have faced Hispanic entrepreneurs.

One key area that Hispanic-owned companies are already focusing on is how President Obama will address the controversy surrounding the U.S. Small Business Administration and its plagued federal contracts program.

"President Obama can do something to help small and minority businesses, and he can do that by stopping Fortune 500 companies from getting small-business contracts," said Lloyd Chapman of the nonprofit advocacy group American Small Business League. "We don't want the Congress to pass any legislation to give federal small-business contracts to these companies, and small businesses should let them know that."

More than \$5 billion in federal contracts designated for small businesses have gone to large companies and their subsidiaries, a problem that must be fixed, Mr. Chapman said.

In late January, the group raised more red flags. It came out strong against Speaker of the House Nancy Pelosi's proposal to remove "independently owned" as a definition of a small business, a move that they worry would open the door to allow venture capitalists and pools of investors in Fortune 500 companies to land contracts meant for smaller businesses.

With the economy in recession and access to loans and credit weakened, Hispanic executives are pushing for a major reform of the Small Business Administration.

The group has a legal mandate to award about one-fourth of procurement contracts – billions of dollars – to small businesses, including to women and minority-owned firms. Under the previous administration, the federal agency lost its Cabinet status position, cut staffing drastically, and saw its budget shrink by half.

Mr. Obama has suggested that he would strengthen programs that provide capital to minority-owned businesses, programs that the SBA administers.

Time will tell.

"I'm waiting for that to happen," said George Burciaga, president of smarTECHS.net, a Chicago-based company that offers information technology development services in states such as Florida and New York.

Mr. Burciaga, whose company employs 26 people, said he attended a luncheon last year where the president, then a candidate, was the keynote speaker at an event on how to strengthen minority-owned businesses.



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Brokers Charge High Prices

But the other big challenge is access to bonds.

Even if small businesses compete for contracts, said Mr. Guerra, they often can't get bonds big enough for important projects. There are some brokers that can get them, he said, but the cost is high.

His organization is exploring a plan in which the federal government creates a bond program for disadvantaged companies that agree to enroll in business development programs administered by professional groups.

"We really need to be prepared for what's coming down the pipeline from the federal government," he said. "There's going to be a lot of opportunities and we need to educate ourselves in order to be in the mix with everybody else."

Economists expect massive government spending on infrastructure as part of any stimulus package, and these investments are set to benefit companies in the construction industry, the largest single sector for Hispanics.

For years, Central Concrete Supermix did plenty of business with developers in South Florida, supplying concrete for big construction projects and other commercial developments.

With about 300 employees, Concrete Supermix had more than \$115 million in revenues last year. But because of the slump in real estate and construction, the company had to lay off 40 employees, and now it's setting its sights on these government projects.

"We are going to have to venture into the public sector, and I think it's going to be very interesting for the construction industry," said President and CEO Jose A. Cancio Sr.

A registered Republican, Mr. Cancio said he was willing to support Mr. Obama, especially if he can get the economy going again. He said Miami needed a shot in the arm.

"We have one of the highest unemployment rates in the country," he said.

On the country's opposite coast, entrepreneur Maria de Lourdes "Lulu" Sobrino from Lulu's Dessert is struggling with the bad economy and the brutally competitive supermarket industry.

Even though the Anaheim, Calif.-based company sells its gelatin and rice puddings to stores such as Wal-Mart, Stater Bros., and Ralph's, it's had to make difficult decisions.

Struggling to cut costs and survive, the company outsourced 75 of the 100 employees who worked at the manufacturing plant. Meanwhile, plans to export her ready-to-eat gelatins and flans (mother's recipe) to other markets have been put on hold.

She hopes the new administration will enact policies that will help small businesses access much-needed capital, while at the same time provide incentives for businesses to hire more employees locally.

"I think the administration should pay attention to us because we are the engine of America," she said. "We are the ones who create jobs, the ones that are willing to invest, and the ones taking on all the risks."

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