

## SBA MINORITY-AID PLAN BENEFITS PROSPEROUS AREAS

Program effects scant in inner cities

*Washington-* The government's flagship program for minority entrepreneurs awarded \$19 billion in contracts over the last six years, with the lion's share going to firms whose headquarters were located in primarily white, well-to-do neighborhoods.

A computer analysis of "minority set-aside" contracts handled by the Small Business Administration found that just 22 percent of the project dollars went to companies located in minority areas.

And those companies that qualified for the program while remaining in minority areas on average got fewer contracts and dollars than those in white areas, the analysis showed.

The SBA's 8(a) program directs federal contracts to minority-owned computer processing to construction or custodial services. The SBA has told Congress that one effect of these contracts has been to improve job opportunities in less prosperous city neighborhoods.

Yet to be more competitive, some business owners said they moved out of minority communities

to get closer to their federal customers.

"I was [located] so far away from government installations the SBA was reluctant to give me jobs," said Samuel Hayes, who moved his construction company out of Benton Harbor, a city in southwestern Michigan where nine in 10 people are black.

Now his company, Rah Development, does business from Northville, Mich., in an area of the Detroit suburbs where half the households make more than \$167,374 and nine people in 10 are white.

The program's supporters say its goal is to foster minority businesses, not community development. And like any business, they say, minority companies need to locate near their customers. In the 1990's that often means the suburbs.

"It's a business decision, not a social decision as to the location," said Cassandra Pulley, SBA deputy administrator. "It is not a program that is designed for economic development in black, inner-city neighborhoods.

The analysis of 8(a) contracts showed that the average minority

contracting company is located in an area where 68 percent of the residents are white, half the households earn \$37,415 or more, and only one person in seven is poor.

In contrast, most black Americans live in neighborhoods where minority residents are the majority and where half the households earn less than \$24,550.

"A lot of truly small minority businesses which really would be the backbone of the minority community cannot get a quarter from the SBA," said attorney H.T. Smith, organizer of a recently ended black tourism boycott in Miami.

When it comes to investing in minority communities, Mr. Smith believes, "as far as the government and the business community are concerned, that's just throwing money away."

There is no requirement that participants stay in minority neighborhoods or that they be poor. In fact, entrepreneurs can qualify with a net worth up to \$250,000, excluding their home and business assets.

When the SBA goes to Congress for funding, it presents the program

as a business incubator that benefits impoverished minority communities.

Companies owned by blacks or Hispanics make up three-quarters of the program's participants. But a review of the program from 1988 to 1993 found:

— Only 9 percent of the 8(a) contract dollars went to businesses in black-majority neighborhoods.

— 4 percent went to Hispanic majority neighborhoods.

— 9 percent went to neighborhoods with majority Asian, American Indian or mixed-minority populations.

— 7 percent of contract dollars went to neighborhoods with minority populations from 40 percent to 50 percent.

The largest bloc of 8(a) dollars—37 percent—went to companies in neighborhoods with fewer than 20 percent minorities. And three-fourths went to neighborhoods where the typical household income was more than \$30,000.

Some contractors who remained in poor minority communities say they did so out of a sense of responsibility. But such businesses get fewer and smaller contracts, the review found.

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