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National Venture Capital Association Moves to Hijack Federal Small Business Contracts

ASBL Press Release

Petaluma, Calif. – The National Venture Capital Association (NVCA) has blanketed the Congressional small business committees with generous campaign contributions in an attempt to have legislation passed which will allow the nation’s wealthiest investors to cash in on government contracts earmarked for small businesses.

In addition to contributions to most of the members of the House and Senate small business committees, the NVCA and its members have made significant campaign contributions to the Chair of the House Committee on Small Business, Nydia Velázquez (D – NY) and to House Speaker Nancy Pelosi (D – CA).

Federal law requires that 23 percent of all federal contracts and subcontracts, about \$135 billion a year, be awarded to small businesses. If the NVCA is successful, a lion’s share of those small business contracts could soon be diverted to firms owned and controlled by some of the largest venture capital firms in the United States.

On September 30, the Small Business Innovation Research Program is set to expire. With

that in mind, the Senate Committee on Small Business and Entrepreneurship has passed S. 3362, the SBIR/STTR Reauthorization Act of 2008. The bill will allow some of the largest venture capital firms in America to participate in federal small business programs. The bill caps venture capital participation at 18 percent for the National Institutes of Health and 8 percent for other agencies. If passed through the Senate, the bill would go to a conference committee between the House and Senate to be finalized.

With S.3362 pending, the NVCA and its members are pushing to include a substantial portion of the legislative language from two House bills which were passed through the House last year and were designed to reauthorize the program. As passed, Both H.R. 3567 and H.R. 5819, would allow firms owned and controlled by billionaire venture capitalists and wealthy investors to qualify and participate in government small business contracting programs without limits on the total amount of venture capital participation in the program.

Small business advocates are concerned that if the legis-

lation becomes law, the average American small business will be forced to compete head-to-head with firms owned and controlled by the nation’s largest venture capital companies for even the smallest orders of goods or services.

The American Small Business League (ASBL) projects that thousands of middle class firms across the country will be forced to close their doors if the NVCA is successful. Larger states like Texas, Florida, New York, Illinois and California could lose billions of dollars in federal contract dollars and thousands of jobs. Smaller states that have been hit the hardest by the current economic downturn will no doubt feel the impact of this legislation, which will pull hundreds of millions of dollars out of the middle class economy in those states.

Speaker Nancy Pelosi exerted so much pressure on members of the House, she was able to push the bills through in record time. In fact, Pelosi pushed the bills through the House so quickly that many members of the House voted for the bill before they had the chance to read the legislation or receive feedback

see NVCA Hijack, page 4

New Bush Administration Policy Helps Large Businesses Masquerade as Small Businesses

ASBL Press Release

Petaluma, Calif. – A new Bush Administration policy will make it easier for large businesses to land government small business contracts by misrepresenting themselves as small businesses in government supplier databases. Under the new policy, firms will no longer be required to list their annual revenue or number of employees on the federal government's Central Contractor Registration Database (CCR).

In the past, firms that listed themselves in the CCR database were re-

quired to disclose their annual revenue and total number of employees. This specific information was mandatory, because federal guidelines that determine a firm's eligibility to participate in federal small business contracting programs were based on these two fields. (<http://www.ccr.gov/>)

Making annual revenue or number of employees' fields optional in the CCR will make it extremely difficult to determine if large firms are misrepresenting themselves as small businesses for the purpose of receiving federal small business contracts.

Since 2002, the Bush Administra-

tion has made several modifications to the CCR database as a means of making it increasingly difficult to determine if a firm is small or large.

Despite repeated statements from Bush Administration officials about increasing transparency and improving the accuracy of reported data in federal small business contracting programs, the new policy is seen as another major step backwards in accuracy and transparency.

Since 2003, 15 federal investigations have all found billions of dollars in federal small business contracts actually wound up in the hands of Fortune 500 firms and hundreds of other large businesses. Within the last thirty days, four separate investigations have been released which have found fraud and rampant abuses in government small business contracting programs. In one instance, the Department of Interior (DOI) Office of Inspector General found that the DOI had misstated the achievement of its small business goals by including Fortune 500 corporations.

(<http://www.doioig.gov/upload/2008-G-0024.pdf>)

In 2005, the SBA Office of Inspector General released Report 5-16, which found large businesses had received government small business contracts by making "false certifications." (<http://www.sba.gov/IG/05-16.pdf>)

This policy will exacerbate the problem of large businesses receiving government small business contracts. It will now be even more difficult for federal officials, the public and watchdog

see Bush Policy, page 5

What Can You Do?

We Strongly urge you to contact your Senators and urge them to oppose S. 3362, which will allow billionaire venture capitalists to receive federal grants and contracts intended for small businesses.

-For the Senate Contact Portal, Click [Here](#)

Sample Comment:

Dear Senator _____,

I would like to express my concern regarding S. 3362 and H.R. 5819, and the potential negative impact these bills could have on small businesses across the United States. I oppose amending the definition of a small business as "independently owned" in the Small Business Act (15 U.S.C. 10 638(e)) to include firms owned and controlled by venture capital operating companies.

I believe that both S. 3362 and H.R. 5819 will effectively erode the concept of independent ownership currently associated with small business, increase competition in the SBIR program forcing legitimate small businesses out of the program, and set a dangerous precedent for venture capital participation in other federal programs specifically designed to assist small businesses. By amending the definition of a small business to include venture capital firms, this legislation could create a slippery slope upon which other small business programs could experience profound negative effects.

Thank You,
{Your Name} {Date}

McCain Small Business Plan Favors Fortune 500 Firms; Little or No Help for Small Businesses

ASBL Press Release

Petaluma, Calif. - On Monday, August 4th, the McCain campaign released "John McCain's Plan To Help Small Businesses." Senator McCain's plan is exceptional, that is, as long as your small business is a Fortune 500 corporation.

Senator McCain's small business plan uses a tried and true Bush Administration tactic of attempting to pass off the classic Republican political platform of "big benefits for big business" as a plan to help small business. Factually, the majority of Senator McCain's small business plan is comprised of tax cuts that Fortune 500 firms have been lobbying for, and changes in United States energy policy, for which oil companies have been lobbying.

According to the U.S. Census Bureau, 98 percent of all firms in the United States have less than 100 employees. Senator McCain's plan contains nothing of substance for these firms. McCain's small business plan is nothing more than smoke and mir-

rors.

The proof of Senator McCain and President Bush's total lack of concern for America's nearly 27 million small businesses can be uncovered by paying attention to their actions, as opposed to listening to their tired and predictable recitation of empty Republican catch phrases on the importance of American small business.

The truth is, while President Bush has been unwavering in his two-faced pandering to the small business community, he has cut the budget and staffing for every single federal program to assist legitimate small businesses, and Senator John McCain has never objected in any way.

Since 2001, the Bush Administration has done everything in its power to close the only federal agency to assist America's small businesses, the Small Business Administration (SBA). In fact, President Bush has virtually starved the SBA to death with the largest budget and staffing cuts of any federal agency. He has even refused to implement

Recent News

The following articles have been hand picked based on their relevance to the ASBL mission.

[New Small-Business Chief Has Critics Already](#)

By Elizabeth Olson, New York Times
August 21, 2008

[SBA Faces Credibility Gap Over SMB Contracting](#)

By Keith Girard, AllBusiness.com
July 24, 2008

[Who benefits from this venture?](#)

By Deirdre Shesgreen, St. Luis Post-Dispatch
August 18, 2008

[Group says McCain doesn't care 'a bit about small business'](#)

By Elizabeth Rauber, San Francisco Business Times
August 6, 2008

a seven-year-old federal law establishing a 5 percent set-aside goal for woman-owned firms and closed the SBA office to assist veteran-owned small businesses. Again McCain said and did nothing.

Since 2002, more than a dozen federal investigations, including three during the last thirty days, have all found widespread fraud, abuse and manipulation of contracting numbers within federal small business contracting programs. As recently as July 1, the Department of Interior Inspector General released a report, which found the DOI had intentionally included Fortune 500 corporations in its small business contracting

statistics. Evidence supports the conclusion that these abuses have been designed to divert federal small business contracts to Fortune 500 firms and give the impression that the Bush Administration is hitting its small business procurement goal.

In February of 2005, the SBA Office of Inspector General issued Report 5-15, which stated, "One of the most important challenges facing the Small Business Administration (SBA) and the entire Federal Government today is that large businesses are receiving small business procurement awards and agencies are receiving credit for these awards."

see McCain Plan, page 6

NVCA Hijack Federal Judge Forces SBA to Release Contracting Data

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from their constituents. As a result, the bills were passed despite opposition from every major small businesses organization in the country, including the Small Business Administration.

The fate of small business owners and the SBIR program is now in the hands of the full Senate. Small business owners and advocates were shocked and disappointed when Senate Small Business Committee Chair John Kerry (D – MA) passed the Senate version of H.R. 5819, S. 3362 through his committee shortly before the summer recess.

“Senator Kerry has been complaining for years about loopholes and Bush Administration policies that allow Fortune 500 firms to receive federal small business contracts. Yet, he has done nothing to stop that problem,” ASBL President Lloyd Chapman said. “Now he is backing federal legislation to give small business contracts to venture capital firms and billionaires. I couldn’t be more disappointed in this Congress and it’s leaders.”

The ASBL has pledged to fight both pieces of legislation by organizing opposition from Chambers of Commerce, other small business organizations and small business owners across the country. --

ASBL Press Release

The Small Business Administration (SBA) has lost another round in its ongoing legal battle with small business advocate Lloyd Chapman and the American Small Business League (ASBL).

Judge Marilyn H. Patel of United States District Court, Northern District of California denied all of the SBA's motions on Tuesday, in the latest Freedom of Information Act (FOIA) case filed by the ASBL. Using FOIA, the ASBL requested the specific names of all firms that had received federal small business contracts during fiscal years 2005 and 2006.

Even though the SBA had been previously ordered by Patel to release the information to Chapman, the SBA attempted to have the case dismissed as a means of avoiding to release further information and having to reimburse the ASBL for its legal fees.

Bush officials fought to withhold the release of the names to circumvent disclosing that Fortune 500 firms and other large businesses around the world had received a lion's share

of government small business contracts since President Bush assumed office in 2001.

During the proceedings, attorneys for the Bush Administration persistently denied that the SBA had ever possessed a list containing the names of firms that had received government small business contracts. They went on to claim that officials at the SBA never had knowledge of the actual recipients of federal government small business contracts for any year.

Regarding the SBA's claims, case documents stated, “The court finds it curious the SBA's argument that it does not 'control' the very information it needs to carry out its duties and functions.”

After questioning SBA attorneys, Patel declined to accept the SBA's claim and stated, “SBA's attempt to argue that the information sought by the League is not an 'agency record' is the kind of bureaucratic foot-dragging that FOIA - by providing the public with free open access to government records - was designed to avoid.”

“By now it should be

obvious to everyone involved that all of the information the Bush Administration has been releasing on federal small business contracting is misleading and disingenuous,” ASBL President Lloyd Chapman stated. “The truth is, the Bush Administration has intentionally diverted the vast majority of our government's small business contracts to some of the largest companies in the world. All of the Bush Administration's lame excuses of 'miscoding' and their ridiculous 'myth vs. fact' PR campaign were a pathetic attempt to dupe the media and the public, and it has failed miserably.”

Chapman added, “The American Small Business League will continue to lead the fight to take back our country's small business programs from corporate giants and billionaire venture capitalists. We will help American's 26 million small businesses to unite and speak with a single voice that will be so strong our next President and every member of Congress will be able to hear it loud and clear.” --

New SBA Head Stalling the Release of Latest SB Contracting Statistics

In late July, the Small Business Administration (SBA) announced it would release its official federal small business contracting statistics for Fiscal Year (FY) 2007 by the end of August. On August 25, 2008, attorneys representing the SBA told Federal District Court Judge Marilyn H. Patel that the SBA did not have any information on the volume of contracts awarded to small business or the specific names of the firms that received those contracts.

In court documents Patel stated, "The court finds curious the SBA's argument that it does not 'control' the very information it needs to carry out its duties and functions."

Now, in his second week on the job, new Acting Administrator of the SBA Santanu "Sandy" Baruah appears to be refusing to release the Bush Administration's latest small business contracting statistics. This is the first time in the SBA's 55-year history the agency has delayed the release of the federal government's small busi-

ness contracting statistics until this late in the year.

The federal government's fiscal year for 2007 ended on September 31, 2007. The SBA has now had more than eleven months to review the data and release it. Since the government's contracting information is in a real-time database, the information could have been released on October 1, 2007.

The American Small Business League (ASBL) believes that Acting Administrator Baruah is withholding the Bush Administration's small business contracting statistics to avoid an inevitable challenge to the accuracy of the information in the press during the Republican National Convention. The ASBL believes the latest Bush Administration small business data will include hundreds of Fortune 1000 firms as it has every year during Bush's tenure.

Since 2003, 15 federal investigations have all found wide spread abuses in federal small business contracting programs, such as the diversion of billions of dollars in federal small business con-

Bush Policy

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groups to monitor the CCR database and uncover large businesses trying to masquerade as small businesses to illegally receive government small business contracts.

The new policy is the latest in a long series of similar Bush Administration policies designed to dismantle federal small business contracting programs and divert billions of dollars in federal small business contracts to large businesses. In February of 2007, former SBA Administrator Steven Preston removed all employee and revenue data from the CCR database in the middle of a CBS investigation on the actual recipients of federal small business contracts. In 2007, Preston adopted a policy that will allow Fortune 500 firms and hundreds of other large busi-

nesses to continue to receive federal small business contracts until the year 2012. (<http://www.asbl.com/show-media.php?id=553>)

The American Small Business League (ASBL) is concerned that Acting Administrator of the SBA, Santanu "Sandy" Baruah may try to institute more policies that will further damage federal small business contracting programs as the Bush Administration comes to a close. The ASBL believes closing the SBA and ending all federal programs to assist woman-owned firms, minority-owned firms, veteran-owned firms and small businesses was a major goal of the Bush Administration. The ASBL predicts President Bush may still try to close the SBA by combining it with the United States Department of Commerce or some other federal agency. (<http://www.asbl.com/show-media.php?id=1068>) --

nesses to continue to receive federal small business contracts \to Fortune 500 firms. Some of the firms that have received small business contracts during the Bush Administration include: Lockheed Martin, Boeing, Battelle, Raytheon, General Dynamics, Northrop Grumman, L-3 Communications, Titan Industries, Xerox, John Deere and British Aerospace and Engineering

(BAE).

On July 30, 2008, Bush officials adopted a policy, which no longer requires government contractors to state their annual revenue or their number of employees. This makes it difficult, if not impossible, for the public to determine if large businesses are misrepresenting themselves as a small businesses. --

McCain Plan

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Some of the firms that have received billions of dollars in federal small business contracts during the Bush Administration include: Lockheed Martin, Boeing, Northrop Grumman, Raytheon, Titan, Rolls Royce, John Deere, Xerox, British Aerospace and Engineering (BAE), Dell, GTSI and the multi-billion dollar Dutch conglomerate Buhrmann NV.

In June of 2007, Former SBA Administrator and Bush Administration fundraiser, Steven Preston implemented a federal policy that will allow Fortune 500 firms and hundreds of other large businesses around the world to continue to receive U.S. government small business contracts until the year 2012.

Despite hundreds of stories in mainstream media outlets across the country on the diversion of hundreds of billions of dollars in federal small business contracts to many of the largest companies in the world, Senator McCain has never uttered a single word on the subject.

If Senator McCain wants a real plan to help small businesses, he needs to address the specific challenges facing legitimate small businesses, as opposed to proposing a plan consisting of government giveaways to Fortune 500 firms and calling it a small business plan.

If Senator McCain sincerely wants to help small businesses, he needs to release a plan that addresses helping the SBA. That agency needs to have its staffing and budget restored so it can fulfill its real mission of administering a

wide variety of loan, grant and contracting programs for America's 27 million legitimate small businesses and the 160 million Americans that work in those firms.

Additionally, perhaps Senator McCain should consider a plan to stop the flow of more than \$100 billion a year in federal small business contracts to some of the largest corporations in the United States and even Europe. It is my understanding that Senator Barbara Boxer (D - CA) has produced draft legislation, specifically designed to stop the diversion of federal small business contracts to large corporations. The draft legislation has been tentatively titled, the Small Business Fairness and Transparency in Contracting Act. I believe it would bring an immediate end to the diversion of federal small business contracts to large businesses.

Since millions of American small businesses are owned by women, Senator McCain might want to give us his plan to implement the federal law passed more than seven years ago mandating the establishment of a 5 percent set-aside for woman-owned firms.

Minorities own millions of small businesses. Senator McCain may want to come up with a plan to insure minorities receive a fair share of government business.

As a concerned veteran, Senator McCain might want to see if he can't encourage the SBA to reopen, fully staff and fund the office to assist veteran-owned firms.

This year, House Speaker Nancy Pelosi (D - CA) pushed two pieces of legislation (H.R. 3567 and H.R. 5819) through the House of Repre-

sentatives, which would allow billionaire venture capitalists to participate in federal small business contracting programs. If that legislation were to become law, thousands of legitimate small businesses could be forced to shut their doors. Maybe Senator McCain could come up with a plan to insure billionaire venture capitalists are not allowed within 1000 miles of a federal small business contracting program.

I do like Senator McCain's ideas on legislation to prevent speculation from driving up the cost of fuel. If he really wants to help small businesses with the escalating price of fuel, Senator McCain might want to consider supporting some sort of excessive profits legislation for the oil and gas industry. I am not an economist but I think there may be a connection between the highest gas prices in American history and record profits for the oil and gas industry.

Who knows, if Senator McCain can come up with a plan to stop the diversion of more than \$100 billion per year in federal small business dollars to Fortune 500 firms, small business might be helped out a little. Maybe if the government would stop pulling \$100 billion a year out of the middle class economy where most Americans work and where over 90 percent of all new jobs are created, more Americans might be able to afford decent health care and make their mortgage payments. --

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