

## President Obama Moves to Streamline Commerce Agencies

**By Lacie Schwarz**

At ASBL we're calling Chambers of Commerce in every city across the U.S. in hopes they will help block President Obama's proposal to close the Small Business Administration.

President Obama's proposal moves to streamline several commerce-related agencies including combining the Small Business Administration (SBA) with the Department of Commerce. Though, at first glance, the idea of combining agencies to save American taxpayers some money seems like a step in the right direction, one has to wonder why the administration is pushing to combine these two particular agencies, since the SBA's budget of \$985 million is infinitesimal in comparison to the

budgets allotted to some other federal agencies. The administration could really save the taxpayers some money by further reducing the Department of Defense's current \$613.9 billion dollar budget, or cutting the nearly \$25 billion spent on foreign aid annually, opposed to increasing it, as President Obama has voiced his plans to do.

The Department of Commerce are as different as two agencies could possibly be and thus, the two agencies have no business being combined. The SBA is the only agency protecting and supporting the small businesses that create 90 percent of net new jobs. The Department of Commerce acts as a support system for large businesses and corporations. The ASBL predicts that if the SBA is

absorbed by the Department of Commerce, within a span of five years, the SBA's programs will essentially be eliminated and the staff will slowly be phased out.

"This is an old Washington trick," said ASBL President Lloyd Chapman. "Everybody in Washington knows that combining the SBA with the Department of Commerce is just a scam to direct 100 percent of federal contract dollars to large corporations. This is the last thing we need to do in the middle of the worst economic downturn in 80 years. Eliminating federal programs for America's chief job creators would be economic suicide. If President Obama were serious about cutting the deficit and stimulating the economy, he would triple the SBA's budget and supercharge every



ASBL President, Lloyd Chapman advocates for American small businesses.

federal program for the nation's 28 million small businesses."

By calling chambers and asking them to make sure their senators won't let this bill pass, our hope is that the SBA and all of its existing programs that are benefitting small businesses will stay intact.

## Fiscal Cliff Will be Used to Dismantle Small Business Administration

**By Lloyd Chapman Dec. 18, 2012**

The American Small Business League is predicting that the Obama administration will try to use the momentum from the fiscal cliff debate to justify plans to dismantle the Small Business Administration.

President Obama recently announced plans to essentially dismantle the SBA by combining it with the Department of Commerce. The administration claims this will save \$3 billion over the next 10 years, which is infinitesimal when you compare it to the \$56 billion the government has proposed to spend on foreign aid in 2013.

The ASBL believes large federal contractors from the defense and aerospace industry want the SBA closed to avoid prosecution under section 16 (d) of the Small Business Act, which holds a punishment of up to 10 years in prison and a \$500,000 fine. Since 2003, a series of federal investigations have found large businesses have hijacked billions of dollars in federal small business contracts.

According to U.S. Census Bureau data, small businesses create more

than 90 percent of all net new jobs. They are responsible for half of the private sector workforce, more than half of the GDP, and more than 90 percent of all U.S. exporters are small businesses.

The ASBL predicts that if the SBA is rolled into the Department of Commerce, within a matter of five years, the SBA's programs will essentially be eliminated and the individual staff at the SBA will slowly be phased out.

"This is an old Washington trick," said ASBL President Lloyd Chapman. "Every body in Washington knows that combining the SBA with the Department of Commerce is just a scam to direct 100 percent of federal contract dollars to large corporations. This is the last thing we need to do in the middle of the worst economic downturn in 80 years. Eliminating federal programs for America's chief job creators would be economic suicide. If President Obama were serious about cutting the deficit and stimulating the economy, he would triple the SBA's budget and supercharge every federal program for the nation's 28 million small businesses."

## Small Business Programs in Danger as Fiscal Cliff Looms

**By Lloyd Chapman Dec. 22, 2012**

According to the latest data from the U.S. Census Bureau, small businesses are responsible for more than 90 percent of net new jobs in America. Small businesses employ half of the private sector workforce, generate more than half of the GDP, and 90 percent of all U.S. exporters are small businesses.

The American Small Business League (ASBL) is concerned that all federal programs to assist small businesses could be in danger as Congress and President Obama negotiate budget cuts to avoid the "fiscal cliff."

President Obama has announced plans to essentially dismantle the Small Business Administration (SBA) by combining it with the Department of Commerce. The Department of Commerce is the federal agency representing the interests of our nation's largest corporate giants.

On November 25, 2008, ASBL President Lloyd Chapman issued a press release predicting that President Obama would close the SBA by combin-

ing it with the Department of Commerce. He made the same prediction in November 2010 and August 2011.

For more than 30 years the nation's largest firms, particularly in the defense and aerospace industries, have pushed to close the SBA in order to end the federal programs mandating that 23 percent of federal contracts be awarded to small businesses. Those big companies want 100 percent of federal contracts and subcontracts, and they have spent hundreds of millions of dollars lobbying Congress to wind down small business programs.

There is currently a bill in Congress that would grant President Obama the authority to combine federal agencies. But the only agencies that he's proposed combining have been some of the smallest agencies in Washington and would have an insignificant impact on the federal deficit.

President Obama claims that combining the SBA with the Department of Commerce will save \$300 million per year, but he's also proposed increasing

foreign aid by about \$9 billion in 2013. To put things in perspective, the proposed \$9 billion increase in foreign aid could be used to fund the SBA for a decade.

House Speaker, John Boehner recently acknowledged that small businesses create the majority of net new jobs in America and tax hikes on small businesses could cost the nation about 700,000 jobs. The ASBL believes that if President Obama does combine the SBA with the Department of Commerce, within five years, federal programs for small businesses will essentially have been abolished, which will cost our nation millions of jobs.

"President Obama's proposal to save money by combining the SBA and the Department of Commerce is ridiculous," said ASBL President Lloyd Chapman. "The amount of money that will be saved by combining these small agencies will be statistically insignificant. Dismantling small business programs will cost the nation millions of jobs and cause the economy irreparable harm."

## ASBL in the News

# Small Business Administration No Shot in the Arm

By **Josh Kosman**, *New York Post* Oct. 30, 2012

At a time when small-business owners are struggling and legislators are looking for ways to jump-start the economy, a key government program tasked with helping small businesses expand has been hamstrung.

The Small Business Administration's decades-old program for investing in small-business investment companies, or SBICs as they are known, has missed its target for a second year as it struggles with staffing shortages and red tape, according to sources.

The SBIC program provided \$1.92 billion in loan guarantees to SBIC funds in fiscal 2012, which ended Sept. 30. That is slightly better than \$1.8 billion in 2011, but still well short of the \$3 billion available to the SBIC program.

A top administrator for the SBIC program acknowledges it could plow through more fund applications with a bigger staff.

Just three staffers determined if the 70 applicants for SBIC licenses were qualified investors.

"We have shown we can do a lot more" with additional resources, Sean Greene, the Small Business

Administration's associate administrator for investment, told The Post.

The decades-old program allows Uncle Sam to send capital to startups. The SBIC program has invested some \$63 billion in more than 110,000 small businesses since its launch in 1958.

Mike Staebler, a lawyer for Pepper Hamilton, who helps private-equity firms get SBIC licenses, said, "If you think the government has some role in job creation, this is it."

He added, "It would be truly helpful to add another 10, 15, 20 people" to the SBIC's current 80 workers.

Typically, the program lets private-equity investors leverage their capital, with the government matching what they raise on a 2-to-1 basis.

So if they raise a maximum of \$75 million in private money, the SBIC will lend the applicant \$150 million, presently at a 2.25 percent interest rate. This gives them \$225 million total to lend and invest in small businesses.

"It's easy to make 20 to 25 percent returns" with that low cost of capital, said one source who applied

for an SBIC license.

Despite the program's allure, investors tell of a frustrating process to get approved. "The process is painfully slow and overly bureaucratic," said the source.

Greene said that it takes, on average, 18 months for the 20 to 25 percent who apply and qualify to close an SBIC fund.

While there is a lot of rhetoric centering around helping small-business owners, proponents worry that the SBA will have to do even more with less.

President Obama said this week that he wanted to merge the SBA with the Commerce Department, raising concerns more cuts are in store.

"If there is a one-stop shop, it's common sense that the biggest companies will get catered to first," American Small Business League Communications Director Brian Reeder told the Post.

Reeder said President Bush cut the SBA staff in half, and that Obama has increased spending just slightly. Reeder added that there are 27 million small businesses that fit the SBA definition.

# Big Business Wolves Pose in Small Biz Clothes

By **Adrienne Burke**, *Small Biz Voice* Dec. 22, 2012

Is Medtronic a small business? How about General Dynamics? The federal government seems to think so. Both companies are among the corporate giants that have been awarded federal contracts specifically set aside for small businesses.

Federal regulations mandate that any contracts valued between \$3,000 and \$150,000 be reserved for small businesses, generally defined as companies with fewer than 500 employees and less than \$7 million in annual revenues. But of the nearly \$11 billion in contracts that fell within that range in fiscal 2011, nearly \$5 billion, or 45%, went to large companies, Bloomberg reports. That's up from 38% in 2006.

Large companies have found several ways to get around those regulations. In some cases, they use small businesses they've acquired to bid on contracts. And federal agencies can exempt themselves for the rules by claiming they were unable to find small businesses capable of supplying the products or services needed.

What's more, certain agencies, including the General Services Administration, are entirely exempt from set-aside regulations, says Brian Reeder, a spokesman for the American Small Business League. The GSA accounts for about \$40 billion of all federal contracts, according to Reeder.

"Simply removing that exemption and putting a set-aside rule in place for all government contract vehicles would significantly increase the pool of contracts available to small businesses," Reeder says.

But with Congress staring down the fiscal cliff and budgets facing intense

scrutiny, agencies are looking to cut costs wherever they can, government contractors say.

"There is major uncertainty in the market and federal agencies are not sure until the budget is passed and sequestration is resolved that they will continue, and they have really reduced the scale of work," says Zia Islam, founder of Zantech IT Services, a McLean, Virginia-based company that has worked for NASA, the U.S. Department of Housing and Urban Development, and other federal agencies. (Zantech was number 225 on the 2012 Inc. 500.)

Zantech has seen its work from HUD fall some 20 percent and that with NASA disappear completely. Islam speculates that contracts for which Zantech once competed are flowing to large firms, which have greater name recognition and economies of scale and can do the work for less money.

The Small Business Administration sets goals for the total percentage of federal contract funds that agencies should award to small business, which includes for disadvantaged and women-owned firms. But there is little oversight, particularly when it comes to smaller contracts, experts say.

In 2011, 21.7% of contract money went to small businesses, slightly short of the SBA's goal of having 23% of contracts go to entrepreneurs. Women-owned businesses received less than 4% of all federal contracts, less than the SBA's goal of 5%.

In a survey conducted by the U.S. Women's Chamber of Commerce in the first half of fiscal 2012, which began October 1, 2011, 71 contracts worth \$3 million were awarded to women-owned firms, says Margot Dorfman, the group's chief executive. "There is a great disconnect here, and women-owned firms are not getting their fair share," Dorfman says.

# Not Supporting Small Business is Economic Suicide, Observers of Economy Say

By **Jeremy Quittner**, *Inc.com* Dec. 22, 2012

In online opinion pieces this week, two leading observers of small business economics criticized the Obama Administration and Congress.

American Small Business League President Lloyd Chapman released a statement and blogged on the Huffington Post his prediction that "the Obama administration will try to use the momentum from the fiscal cliff debate to justify plans to dismantle the Small Business Administration" by folding it into the Commerce Department. Chapman questions the Administration's estimates that such a move would save \$3 billion over 10 years. He calls the potential agency merger "just a scam to direct 100 percent of federal contract dollars to large corporations."

Chapman argues that "eliminating federal programs for America's chief job creators would be economic suicide" and suggests that instead, the President should "triple the SBA's budget and supercharge every federal program for the nation's 27

million small businesses."

In a blog post titled *The Decline of Small Business is a Five Alarm Fire Leaders Are Ignoring*, Jim Clifton, chairman and CEO of the Gallup research organization warns that the economy is "not even close" to moving in the right direction. Clifton blames the continued recession on "our elected officials, from the president, to Congress, to governors and mayors" who he said are not focused on creating wealth—or the minimum of 2 million startups per year that are necessary to create new jobs and GDP growth:

"What they should be focused on is revving up the engine that fuels most of the American economy: small business. And right now, small business desperately needs a jump-start. U.S. small-business owners are pulling back on how much they invest in their businesses, with their net capital spending intentions for the next 12 months now at the lowest level in more than two years, according to the Wells Fargo/Gallup Small Business Index. Small-business

owners are also increasingly pessimistic and plan to hire less in the next 12 months."

Clifton argues that if the president, Congress, governors, or mayors really understood how crucial small businesses are to the U.S. economy, "they'd be responding to the decline of small business like the five-alarm fire that it is." He goes so far as to argue that the only way Obama can save the country would be to declare himself President of the United States of Small Business, promising to remove any barriers to small business success.

If small business owners feel that they're in trouble, Clifton says, it might be "because they don't believe national and local leaders honestly respect them for the role they play as the engine of the U.S. economy."

Surely Lloyd Chapman would argue that eliminating the Small Business Administration is not the way to change that view.