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New Bill to Give Billions In Federal Small Business Contracts to Venture Capital Firms

Venture capital companies could receive billions of dollars in federal small business contracts under new bill

Petaluma, Calif. – A bill tentatively titled the, “Small Business Investment Expansion Act of 2007,” could be proposed in congress during the next several months and will allow some of the largest venture capital companies in the world to receive billions of dollars in federal small business contracts. Under the new bill, venture capital firms will be allowed to acquire controlling interest in a small business and retain that firm’s small business status indefinitely.

During the last four years, 15 federal investigations have found that billions of dollars in contracts intended for small businesses were diverted to large firms such as Lockheed Martin, Boeing and Bechtel through similar programs.

In 2005, the Small Business Administration proposed a similar policy and aired it for public comment. During the comment period, the SBA received the largest response in the agency's history, with 95 percent of respondents strongly opposed to the provision. The provision would have given venture capital firms an exemption in federal small business size determination.

Small business advocate, the American Small Business League has opposed giving any exemption for venture capital companies for small business size determination since it was initially proposed in 2005.

“I cannot believe that Congress is looking at creating another loophole that will allow billions of dollars in federal small business contracts to be diverted to large companies,” President of the ASBL, Lloyd Chapman said. “This is not about access to capital, it is about allowing large businesses to acquire controlling interest in small businesses. It is going to be detrimental to small businesses in every industry.”

If the legislation is passed, the ASBL vows to file suit in an attempt to overturn the legislation on the grounds that it is inconsistent with the congressional intent of passing the Small Business Act.

“In the last ten years, every policy that the government has passed that has diverted small business contracts to Fortune 500 companies was done under the guise of helping small businesses and this appears to be more of the same thing,” Chapman said.

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