

BLOG BRIEFING ROOM

First lady backs Quinn in first '14 ad
11:06am

CONGRESS BLOG

Climate change, Obama, and methane
11:00am

CONTRIBUTORS

Intravenous vitamin infusions go...
07:30am

TWITTER ROOM

Lawmakers caution Secret Service problems...
04:25pm

TECHNOLOGY

FCC head vows impartial review of '...
10:33am

[HOME](#) | [BLOGS](#) | [CONGRESS BLOG](#) | [BLOGS](#)



CONGRESS BLOG

THE HILL'S FORUM FOR LAWMAKERS AND POLICY PROFESSIONALS

Congress Blog

Congress Blog feed

October 06, 2014, 09:00 am

Time For Congress to end the charade at the SBA

By Lloyd Chapman

f 2 g+ t 1 in

COMMENTS 0

Every summer the Small Business Administration comes out and announces the federal government has come very close to or actually exceeded the 23 percent small business contracting goal required by law.

This year the SBA stuck with their **tried and true tradition** of releasing the information late on a Friday afternoon to reduce media scrutiny. On **August 1**, SBA Administrator Maria Contreras-Sweet claimed the federal government had awarded 23.39 percent of all federal contracts to small businesses.

ADVERTISEMENT

Small Business Loans For Big Business Dreams

LEARN MORE

Beth, Owner
Tiny Treasures Preschool
Member since 2013

Redwood Credit Union | 1 (877) 545-4100

As it has been for more than 15 years, the SBA's data on the volume and percentage of contracts to small businesses is completely false and dramatically misrepresents the true volume of federal contracts awarded to legitimate small businesses.

The SBA significantly **inflates the actual volume and percentage of federal contracts** awarded to small businesses in two main ways.

First, as opposed to using the total federal acquisition budget as required by law, the SBA and GSA have manufactured the term, "small business eligible dollars." The policy of "small business eligible dollars" **has no basis in law** and is in fact completely contrary to the Small

Business Act that stipulates that a minimum of 23 percent of the total value of all federal contracts be awarded to small businesses.

The second tactic the SBA uses to misrepresent the true volume and percentage of federal contracts awarded to small businesses is to include billions of dollars in federal contract awards to **Fortune 500 firms**, their subsidiaries and thousands of other clearly large businesses including foreign owned corporate giants. No federal law allows for Fortune 500 firms or any large business to legally be considered a small business.

The Small Business Act defines a small business as being "independently owned" and the largest current small business size standard based on the number of employees is 1500. This would clearly exclude any Fortune 500 firms or their subsidiaries.

NBC, CBS, ABC, CNN, CNBC, Fox News and **MSNBC** have all reported on the diversion of federal small business contracts to corporate giants.

Anytime federal investigations or investigative reports in the media uncover the SBA's inclusion of billions of dollars in contracts to Fortune 500 firms in their small business data, the SBA responds with a variety of very creative and implausible excuses.

In 2003 when an investigation by the GAO **based on information I provided** uncovered thousands of large businesses were receiving federal small business contracts, the SBA claimed it was the result of "computer glitches" and "data entry errors." In recent years the SBA has added "**anomalies**" and "**simple human error**" to their list of excuses.

SO FAR THIS YEAR, CHEVRON HAS PARTNERED WITH 3,600 OF AMERICA'S SMALL BUSINESSES.

Chevron Human Energy

LEARN MORE >>

SIGN UP FOR THE HILL'S EMAILS AND ALERTS

Enter Your Email Address [SIGNUP >](#)

MORE ECONOMY & BUDGET

[Time For Congress to end the charade at the SBA](#)

[DOD's increasing reliance on brass is a sign of broader problems](#)

[Manufacturing Day 2014 - A time to recognize Chrysler, Ford and GM](#)

[More Economy & Budget Headlines >](#)
[Economy & Budget News RSS feed](#)

MOST POPULAR



CDC director: Travel ban could...

Tom Frieden addressed concerns in a Saturday press conference.



Boehner rakes in cash for openly...

The Speaker will help out candidate Carl DeMaio this week during a trip to...

DISCUSSED

Actual computer glitches, data entry errors, simple human error and all anomalies would have a random pattern of distribution like flipping a coin, heads or tails. In federal contracting the two choices are big business or small business. Any true random errors in the reporting of the size status of recipients of federal contracts would obviously have a random pattern of distribution. For example, for every random error that reported a contract to a large business as a small business contract there would be an equal number of errors that miscoded a contract to a small business as a large business contract. We do not see that pattern in federal contracting data on the volume of awards to small businesses. All the supposed anomalies and miscoding always report contracts that were intended to go to small businesses to a large business.

Another SBA excuse for including large businesses in their small business data is **small firms outgrowing their size status and large firms acquiring small businesses**. Both of these excuses have no basis in the law. Under federal law, a small business ceases to legally be considered small as soon as it is acquired by a large business.

The SBA, GSA and other agencies have adopted "policies" that allow this, but they are in direct contradiction to the law.

A **recent legal opinion** by Professor Charles Tiefer, one of the nation's leading experts on federal contracting law, found no legal justification for the inclusion of any large business in federal small business contracting data. His legal opinion also supports the premise that small businesses should receive 23% of all federal contracts and not the "small business eligible dollars" the SBA and GSA have fabricated.

The SBA's own Office of Inspector General has named the diversion of federal small business contracts to large businesses as the number one problems at the SBA for a decade.

Even President Obama acknowledged the magnitude of the abuses at the SBA when he released the statement, **"It is time to end the diversion of federal small business contracts to corporate giants."**

According to the latest data from the U.S. Census Bureau small businesses are responsible for over 90% of the net new jobs, over 50 percent of the private sector work force and over 50 percent of the GDP. The Small Business Act of 1953 was the most efficient and effective economic stimulus program in history.

What better way to spend the taxpayers money than to reinvest that money with the 28 million small business where most Americans are employed?

If the actual federal acquisition budget number were used and if only legitimate small businesses were included, I believe American small businesses are **currently receiving less than 5 percent of federal contracts** and not the 23.39 percent claimed by the SBA.

So I say it's time for Congress to end the charade and the undeniable fact the SBA has **consistently falsified and fabricated the true percentage of federal contracts** awarded to small businesses.

I propose an extensive GAO investigation into the SBA to uncover the obvious misrepresentations about the SBA's "miscoding", "anomalies" and "small business eligible dollars."

It's time for Congress to stop the SBA, the Pentagon and all federal agencies from cheating the American people out the volume of federal contracts and subcontracts they should be receiving by law.

It's time for President Obama, every member of Congress and every federal employee to understand cheating the middle class year after year is the pinnacle of unpatriotic conduct and causes irreparable economic harm to the 28 million small businesses that are the undeniable backbone of our nation's economy.

Chapman is president and founder of the American Small Business League.



FROM AROUND THE WEB



Which NFL Teams Rule The U.S.?

The Atlantic



'Warren Buffett Indicator' Signals Collapse in Stock Market

Moneynews



Shared Trainer Craze Sweeps Bay Area

Patch



Sponsored Links by Taboola



DNC chief vows to stay in office

"I will serve as DNC chair till Jan. 21, 2017," Rep. Debbie Wasserman...

Obama's tax rules claim first...

Analysts say a scrapped drug industry merger is just the beginning.



GOP edge grows in final stretch

Republicans' chances for retaking Senate and picking up seats in the House...



Will Iowa break up with Obama?

The state that launched Obama to the presidency could turn against his...

RELATED VIDEOS

by Taboola



Aviation Policy Summit:
The Future of Flight



WATCH LIVE: WH
addresses Ebola virus



Joe Scarborough:
'Somebody is going to die'
if Secret Service isn't
cleaned out



BP's innovative
technology helps find
ways to solve energy ch...

More Videos »

MORE FROM THE WEB

Sponsored:

Newsmax

- CDC Chief: Ebola Spreading 'So Fast It's Hard to Keep Up'
- Jim Webb: Some ISIS Trained by U.S.
- Holder's Likely Replacement Identified
- Joan Lunden: Real Truth About Breast Cancer
- Michael Phelps: I'm Taking Break After DWI
- Do You Think Obama Is Doing Enough to Contain Ebola?
- How Drivers Get Really Cheap Auto Insurance
- Learn How to Get Serious Car Insurance Savings

What's This?

THE HILL BLOGS

BLOG BRIEFING ROOM

First lady backs Quinn in first '14 ad

CONGRESS BLOG

Climate change, Obama, and methane

CONTRIBUTORS

Intravenous vitamin infusions go...

TWITTER ROOM

Lawmakers caution Secret Service...

TECHNOLOGY

FCC head vows impartial review of '...

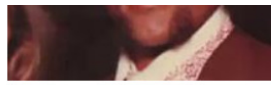
ENERGY & ENVIRONMENT

Supreme Court won't hear challenge to...



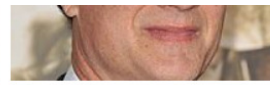
There Are 7 Types of English Last Names — Which One Is Yours?

Ancestry.com



From Super Bowl Champion to Homeless Retiree

GQ



5 Richest Oscar Winners And Their Staggering Net Worths

Bankrate

YOU MAY LIKE



FAA moving toward NextGen technology



LIVE: Obama speaks at UN



Sherman: Fighting with ISIS will last 'long, long time'



by Taboola

How will Congress pay for ISIS offensive?

RECOMMENDED STORIES

Meghan McCain on Secret Service: 'I hated all of them'

'Real Housewives' stars going to prison

Ben Carson: 'Strong' chance I'll run in '16

FBI director warns of Khorasan terror attack

Christie calls weight loss report inaccurate

Ex-congressman Traficant dies at 73

ALSO ON THE WEB

U.S. Senate 2014: Here's Who Will Win Every Single Race (Blue Nation Review)

New San Francisco Gross Receipts Tax (Moss Adams)

The Most Beautiful First Ladies of the U.S. (RantPolitical)

The 10 Dumbest States in America (TheStreet)

Did President Clinton Just Let the Cat Outta the Bag About Hillary's Campaign? (Blue Nation Review)

Emirates airlines cancels order for 70 Airbus A350 jets (Fortune)

Recommended by



The Hill Newspaper

Like 126,760

0 Comments

The Hill

1 Login

Sort by Best

Share Favorite



Start the discussion...

Be the first to comment.

ALSO ON THE HILL

WHAT'S THIS?

Five Supreme Court cases to watch

20 comments • 5 hours ago



We Are You — Your erectile dysfunction medications are also written in. Be sure to talk to your insurance company ...

Obama aide: Ebola will be stopped 'at its source'

73 comments • a day ago



sashamanda — How do you stop ebola at its source while allowing it to be exported to US by Liberian nationals?

CDC open to any suggestions on Ebola

174 comments • a day ago



Sewer_Urchin — Top. Men.

Biden to fundraise for Dems

21 comments • 3 hours ago



Captain Ballz — \$2500 seems like a lot for a ticket to a comedy gig....

Subscribe

Add Disqus to your site

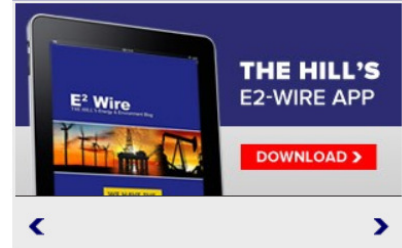
Privacy

DISQUS

FOLLOW THE HILL



FEATURES





[SUBSCRIBE](#)

HOME

- Senate
- House
- Administration
- Campaign
- Polls
- Business & Lobbying
- Sunday Talk Shows

POLICY

- Defense
- Energy & Environment
- Finance
- Healthcare
- Technology
- International
- Transportation

VIDEO

- Latest
- Campaign
- Defense
- Energy & Environment
- Finance
- Healthcare
- Technology
- Transportation
- International
- Sunday Shows
- Events

BLOGS

- Ballot Box
- Blog Briefing Room
- Congress Blog
- Floor Action
- In The Know
- Twitter Room

OPINION

- Brent Budowsky
- James Carville
- Lanny Davis
- John Feehery
- Judd Gregg
- David Hill
- Mark Mellman
- Dick Morris
- Markos Moulitsas
- Bill Press
- A.B. Stoddard
- Juan Williams
- All Columnists
- Editorials
- Letters
- Op-Ed

CLASSIFIED

- Classifieds
- Jobs

RESOURCES

- The Hill Apps
- Mobile Site
- RSS
- People
- Outside Links

CONTACT US

- Contact
- Advertise
- Events

CONTRIBUTORS

- Contributors
- Become a Contributor

THE HILL

Home | Privacy Policy | Terms & Conditions | RSS | Contact | Advertise | Subscriptions
The Hill 1625 K Street, NW Suite 900 Washington DC 20006 | 202-628-8500 tel | 202-628-8503 fax
The contents of this site are ©2014 Capitol Hill Publishing Corp., a subsidiary of News Communications, Inc.