



**Opening Statement of
Chairman Sam Graves
House Committee on Small Business
Hearing: “Politicizing Procurement: Would President Obama’s Proposal
Curb Free Speech and Hurt Small Business?”
May 12, 2011**

Good afternoon. I want to thank Chairman Issa for working with me on this joint hearing, and I want to thank our witnesses for being here today. We look forward to your testimony.

All Americans should be concerned by a policy that directly and purposefully injects political giving into the contracting process – the integrity of which everyone here has worked so hard to maintain. Ensuring that contracts are awarded based on the merits of the offer, and free of political or other inappropriate bias, is a fundamental responsibility of the procurement system, both Committees and this Congress. As the Chairman of the Small Business Committee, I would like to address the impact of this proposal on small businesses.

Small businesses play a vital role in the U.S. economy in general, and in government contracting in particular. There are over 360,000 small businesses seeking to do business with the federal government. Small businesses received over \$100 billion in federal contracts in FY 2010 – over 20% of all federal contracts. Previous statements from the President have recognized that small businesses have the capability, flexibility and innovation needed by federal agencies, and that small business participation keeps federal contracting costs down. Why, then, has he not publicly rejected an Executive Order that will force small businesses out of this market, where they are clearly needed?

Make no mistake – the compliance burden of this Executive Order will force small businesses out of the market, or keep them from entering, since some small businesses will be ill-prepared to comply with the proposed E.O.’s recordkeeping requirements, reporting regimes and potential criminal liability. Small businesses already bear a disproportionate share of regulatory burdens. Businesses with fewer than 20 employees annually spend 45% more per employee than larger firms to comply with federal regulations. Given that small businesses create 64% of net new jobs, I want these businesses growing, not stifled by unnecessary, duplicative and punitive regulations.

Any small business brave enough to face the compliance burden of the Executive Order will need to worry that their contributions could be used against them by competitors alleging improper disclosure or by politically motivated appointees, which will again deter small business participation. Contracting officers, under pressure from political appointees, may choose not to

award any contracts to the small business who may have been unable to donate to any political entity but who, nonetheless, may be the appropriate winner. Even if this hypothetical never materializes, the fear of improper scheming will remain and have a chilling effect on small businesses and their willingness to compete in the federal marketplace.

The Obama Administration is already failing to meet the Congressionally mandated Small Business Goals. The President should be focused on bringing small businesses into the federal marketplace. Instead, this proposed Executive Order will drive small businesses away. While this would be harmful at any time, it is especially ill-conceived now, when our economy needs vibrant small businesses participation at every level. I hope this hearing will convince the President to disavow this proposal.

Again, I want to thank our witnesses for their participation, and Oversight and Government Reform for hosting us today. I now yield to Ranking Member Velázquez for her opening remarks.