

Lobbying & Law

Steering Small Biz Left

By Bara Vaida

■ There's a paucity of progressive small-business lobby groups in Washington.

■ Two such outfits have caught the fancy of the Obama administration.

■ Funding for left-leaning small-business trade groups is scarce.

The voice of small business in Washington has had a conservative accent for decades. Two new groups are providing an alternative.

The Small Business Majority, run by John Arensmeyer, and the Main Street Alliance, led by Sam Blair, gained prominence on Capitol Hill and at the White House during the health care debate last year as Democrats looked hard for support in the small-business community.

On December 9, the Senate Democratic Communications Center issued a statement based on Small Business Majority research that showed how the Senate Democrats' health care legislation would help small businesses. The statement came shortly after the National Federation of Independent Business and the U.S. Chamber of Commerce announced their opposition to the bill because it "will not deliver the widely promised help to the small-business community."

In November, small-business owner Rick Poore of Nebraska, a member of the Main Street Alliance, was a key speaker at an Obama administration event involving Health and Human Services Secretary Kathleen Sebelius. The Main Street Alliance says that a public option should be part of health care reform; the NFIB and the chamber steadfastly disagree.

"With Democrats taking control in Washington, you are seeing a growth in the number of progressive small-business groups," said Nicole Kazee, an assistant professor of political science at the University of Illinois (Chicago). "They are getting savvier, and [they are] getting more press attention."

The rising profile of the two groups in Washington is also a part of a reshuffling of power on K Street among traditional business interests, as the White House and congressional Democrats seek out support in the business community for their agenda.

Conventional wisdom inside the Beltway has long been that most "small" businesses (which the government defines as those with 500 or fewer employees) are overwhelmingly conservative. That perception is in part because of the NFIB's and U.S. chamber's support of Republicans. In the 2008 election cycle, the NFIB, a grassroots powerhouse of about 350,000 members, doled out \$779,587 through its PAC, of which 83 percent went to GOP candidates, according to the Center for Responsive Politics. The NFIB's stock has been high in Washington ever since it helped to defeat health care reform 15 years ago and because it has a foothold in almost every congressional district. The U.S. Chamber of Commerce's PAC gave out \$144,576, of which 61 percent went to Republican candidates in the 2008 cycle.

Internal polls and polls of non-NFIB members show that small-business owners tend to see things conservatively, said the group's spokeswoman, Stephanie Cathcart, who added, "Our positions reflect where our members are, not any particular party."

But voting and poll data show that the 25 million small businesses in the U.S. are an ideological mix, just like the broader voting public. In the fall of 2008, American Express OPEN Small Business Monitor, a semi-annual survey of business owners with 100 employees or fewer, found that 32 percent of the 768 owners polled were registered as Democrats, 33 percent as Republicans, and 16 percent as independents. A post-election survey of 800 voters conducted by the Polling Co./WomanTrend in November 2008 found that 48 percent of self-identified small-business owners voted for Barack Obama and 46 percent backed his Republican rival, Sen. John McCain.

"Small businesses are really split ideo-

■ John Arensmeyer



■ He started the Small Business Majority out of his hip pocketbook.

logically” because they tend to be extensions of the personality of their owners, Kazee said. “So there can be no one interest group that represents all small businesses.”

Yet the NFIB and the U.S. chamber have been able to dominate the small-business viewpoint in Washington because progressive small-business owners have struggled to find the funding and the political will to form their own lobby groups. Most recently, a liberal small-business group, the American Small Business Alliance, which



■ Sam Blair

■ Main Street Alliance chief makes no apologies about his progressive positions.

Democratic strategist Joel Marks founded in 1996, closed its doors after nine years for lack of financial support.

“To start and run an organization is very difficult when you aren’t backed by big corporate interests, and that is certainly what I was up against with the NFIB and the chamber, which had 50-plus-year histories of being here in D.C. and the ability to tap into big dollars,” said Marks, who was the alliance’s executive director. Marks now lives in San Francisco and works in the mortgage industry.

Kazee added, “There is no natural source of funding for progressive business groups. The progressive foundations are suspicious of business groups. The labor groups are suspicious too, so it is hard for them to find paying members, and

it’s hard for them to show they have political effect.”

Because no other small-business groups with progressive leanings appeared to be working in Washington, Democrats in Congress quickly embraced Arensmeyer’s and Blair’s outfits after solidifying their power in the 2008 election. Staffers on the House and Senate Small Business committees say that the Small Business Majority and the Main Street Alliance were two of many business groups they met with last year on health care reform.

“The Small Business Majority has been very active,” said Sen. Mary Landrieu, D-La., chairwoman of the Small Business and Entrepreneurship Committee, noting that many groups advocate for small businesses, including trade associations that represent specific industry sectors such as homebuilders, Realtors, and restaurant owners.

Whether Arensmeyer’s and Blair’s groups will play an active role in public policy after the health care debate and can rival the NFIB and the chamber on other small-business issues remains to be seen. Both groups plan to work on other small-business policy issues this year.

Neither organization has the budget to go head-to-head in November with the NFIB or the chamber with campaign donations to candidates, but each hopes it has established the relationships and the credibility with lawmakers to influence future issues. Both groups hope to build ties with Republicans as well.

Arensmeyer, founder and CEO of the e-commerce firm ACI Interactive, created the Small Business Majority in 2005 because he felt that no small-business organization reflected his pro-government philosophy. His starting point was the idea that public policy leaders needed “more pragmatic, less ideological research on small-business issues.”

“My philosophical viewpoint is that government isn’t inherently bad,” Arensmeyer said of his approach to policy. “What I saw was that a lot of [small-business] groups took a negative position that anything government does is bad, but the reality is that government is a necessary partner to get things done.”

He used his own money to start the SBM, which now has a \$1.5-million-to-\$2-million annual budget and 10 employees. Two staffers are based in D.C., one in New York City, and the others in California. One of the D.C. hires is Terry Gardiner.

He is the group’s national policy director and became its first registered lobbyist in October. The former owner of an Alaska-based seafood company, Gardiner also served 10 years as a Democratic representative in Alaska’s state House.

The Small Business Majority isn’t a membership-based organization. Its money comes from foundations, which Arensmeyer believes will keep his group’s research objective. “We don’t get our positions from a self-selecting membership.”

Still, its funding is from foundations dedicated to social justice and health care reform. They include the Blue Shield of California Foundation, the California Endowment, the Nathan Cummings Foundation, the New York State Health Foundation, and the Public Welfare Foundation.

The group’s focus has been on health care because small businesses have found it almost impossible to find affordable insurance and an increasing number are dropping their employees’ coverage altogether, Arensmeyer said.

In June, the group released a study showing that although the Senate and House Democrats’ health reform proposals would not end the rise in health care costs or prevent all job losses, the bills would help small businesses with 100 employees or fewer curtail costs by as much as \$855 billion over 10 years and preserve employment. The study was conducted by Massachusetts Institute of Technology economist Jonathan Gruber. In a May through August 2009 opinion poll in 15 states, the SBM found that a majority of small-business owners were willing to pay a share of their employees’ health care coverage. Democrats have repeatedly cited this research to argue the benefits of their legislation for small business. But its objectivity has been questioned by conservative interest groups. The SBM health care poll was conducted by Lake Research, a Washington firm well-known for its work with Democrats and progressive groups.

Arensmeyer considers his data objective, adding that he used Lake Research because it has “a great reputation.” He also stressed that he has not hesitated

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Learn more about the chorus of groups representing small business in Washington by visiting this story online.

to stand up for small-business interests by criticizing provisions in the Democrats' health care legislation.

"We did as much outreach to Republicans as we could," Arensmeyer said. "But then the legislation became partisan, so if we wanted to get something done, we had to talk to Democrats. We found we weren't getting anywhere talking to Republicans."

The SBM has a good working relationship with other small-business groups in Washington. Jere Glover, a lawyer at the Brand Law Group and a member of the boards of both the National Small Business Association and the U.S. Chamber of Commerce's Small Business Council, said he has worked with the group on various issues and "they are doing a good job on providing a balanced approach." The SBM reported spending \$20,000 on lobbying in the third quarter of 2009, according to lobbying disclosure reports.

Arensmeyer said that his group expects to focus this year on the implementation of health care reform (assuming it be-

comes law) and on energy policy, financial services reform, and a jobs tax credit. He also hopes to build more relationships with Republicans.

The Main Street Alliance was likewise created by individuals seeking an alternative to small-business lobbies, but unlike the Small Business Majority, it is openly

progressive. The alliance grew out of the Health Rights Organizing Project, a collaboration of 34 community-organizing groups whose mission is to get health coverage for the uninsured. Blair, who had worked with several of the organizations involved in the project, got start-up funding from Atlantic Philanthropies (not affiliated with Atlantic Media) in early 2008.

Currently, the alliance, which is based in Seattle, where Blair lives, coordinates a network of 15 state coalitions representing small-business owners. Blair estimates that the network's e-mail list allows the group to reach 10,000 small-business owners. Of those owners, about 1,500 are actively engaged in outreach to policy makers in Washington, including letter writing. An all-volunteer national advisory council of 30 small-business owners, many of whom are liberal when it comes to politics, drives the group's strategy and activities.

"We don't hide that we are taking a progressive perspective on these issues," said Kelly Conklin, a small-business owner in New Jersey. "That is where we start from."

The advisory committee's members talk twice a month on the phone about ways to get their message out. Many of those on the board have flown to Washington on their own dime to lobby Congress and to meet with White House officials. They also increased their clout by joining Health Care for America Now, a coalition of more than 1,000 progressive interest groups in 46 states that receives financial support from labor unions.

The alliance and Health Care for America Now are working so closely together that they essentially share a lobbyist, Dave Mason. The alliance hired Mason in the spring when it realized that it needed a lobbyist in Washington to follow up on its grassroots work on Capitol Hill. But, ironically, Blair was unable to obtain health insurance for Mason, and the alliance contracted with HCAN to provide it.

In 2010, Main Street Alliance members also plan to play a role in financial services reform, Blair said.

"We found that health care was the most galvanizing issue for the small-business community," he said. "So it is an open question about whether there will be broad-based support on any other issue we choose in the future." ■

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■ Under Pressure



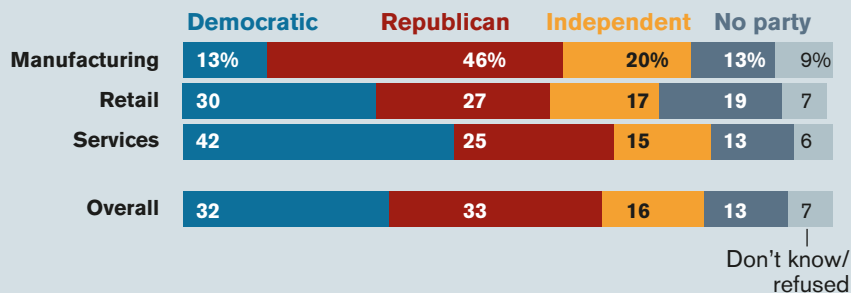
■ Owners of small businesses like Larry Schmidt are getting squeezed by both the poor economy and rising health insurance costs.

NEWSROOM

■ Mixed Bag

Conventional wisdom says that small-business owners are predominately conservative, but a poll taken close to the 2008 election showed an ideological mix. Still, some small-business sectors, such as the manufacturing industry, were overwhelmingly conservative in comparison to the services sector.

Party registration of small-business owners, by sector (2008)



SURVEY METHODOLOGY: American Express OPEN Small Business Monitor is based on a national sample of 768 small-business owners/managers of companies with 100 employees or fewer. The telephone survey was conducted by Echo Research from August 12 to August 25, 2008. The poll has a margin of error of ±3.5 percentage points.