



98% of all U.S. firms have less than 100 employees

Mr. Tom Johnson
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Business Research Services Inc
7720 Wisconsin Avenue Ste 213
Bethesda MD 20814

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Dear Mr. Johnson,

As the President and Publisher of Set-Aside Alert, and as a leader within the small business community, we are pleased that you are hosting a series of solutions summits, the first happening this Friday focusing on small business size standards. As the federal marketplace is an area that the American Small Business League (ASBL) focuses our time and attention, these issues are of the utmost importance and we thank you for drawing attention to them.

As a representative of the ASBL will not be in attendance at Friday's summit meeting, we are grateful for the opportunity to express our position and participate in the debate on small business size standards.

The ASBL is opposed to raising any federal size standards for small businesses. In fact, the ASBL is in favor of reducing many of the employee based size standards back to levels that are more representative of the majority of small businesses. With the exception of very few annual revenue based size standards, which in some cases are long overdue for adjustment, the ASBL is opposed to raising the revenue based size standards for most industries.

The latest figures from the U.S. Census Bureau, and the Small Business Administration Office of Advocacy show that firms with 500 employees or less constitute approximately 99.7 percent of all firms in the United States. That being said, firms with 100 employees or less represent over 98 percent of all U.S. firms, and eighty-nine percent of those firms have less than 20 employees. By far, the mass majority of small businesses in the United States fall under the 100-employee threshold, yet the size standards used to determine small business eligibility in the federal marketplace reflect a different picture. In many

cases existing small business size standards provide advantages to larger firms to the detriment of the small business community and the U.S. economy as a whole.

Research conducted by the ASBL over the past several years clearly shows that the majority of small business contracts go to large firms, multi-national corporations, and more recently, firms that no longer meet the small business size standards for the NAICS codes under which the contracts are awarded. This growing trend raises concerns that if small business size standards are increased, more and more legitimate small businesses will be forced out of the federal marketplace as they are forced to compete head-to-head against large firms for even the smallest orders for goods and services.

Within the scope of economic growth and job creation, U.S. Census Bureau data indicates that small businesses create over 90 percent of all net new jobs. Last year, Senator Mary Landrieu, Chair of the Senate Committee on Small Business and Entrepreneurship, estimated that every 1 percent increase in federal contracts to small businesses would create approximately 100,000 new jobs. Federal small business contracting programs were established specifically because of the important role small businesses play within the U.S. economy, and size standards are an integral part of these programs. As the discussion on small business size standards begins, we must recognize the potential harm, not only to these vital programs, but to the U.S. economy as a whole, that may be caused if size standards are raised. Additionally, we are concerned that increases to small business size standards may afford more large firms a loophole, through which they may pass themselves off as small.

We look forward to engaging more thoroughly in this discussion as it unfolds, as well as attending future solutions summit meetings on other aspects of small business and federal contracting. Thank you again for the opportunity to have the ASBL's voice heard on this issue.

Sincerely,

A handwritten signature in dark ink, appearing to read 'K. Baron', with a long, sweeping horizontal line extending to the right.

Kevin Baron
Director of Government Affairs
American Small Business League