



February 12, 2024

The Honorable Roger Williams
Chairman
Committee on Small Business
U.S. House of Representatives

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
U.S. House of Representatives

RE: Statement for the Record – Under the Microscope: Reviewing the SBA’s Small Business Size Standards

Dear Chairman Williams and Ranking Member Velázquez:

The Global Small Business Sustainability Coalition wishes to express its appreciation to the U.S. House Small Business Committee for convening a hearing on the important topic of small business size standards. We respectfully submit the following statement pertaining to issues facing the seasoned U.S. small business industrial base as it relates to U.S. Federal Government contracting activities.

1. Oppose Reducing Small Business Vendors by Lowering Size Standards

The U.S. Small Business Administration (SBA) is required by statute to review size standards on a five-year basis, and has the authority to adjust size standards to counter the effects of inflation. SBA has used both of these tools effectively to expand opportunities for more small businesses to support U.S. Federal Government customers. Despite these efforts, however, the U.S. Government Accountability Office (GAO) and others have cited a decline in the number of small businesses supporting the Federal marketplace. They also note a significant drop in businesses out of the Federal market once they cross the valley of death into large business status, where they are expected to compete against firms like Chemonics International, Inc., DAI Global, LLC, and Tetra Tech, Inc., who received \$1.38B, \$489M, and \$287M, respectively in federal contract awards from the U.S. Agency for International Development (USAID) alone in FY2023. Lowering size standards will only further exacerbate this situation, which both harms small businesses and deprives agencies of increased competition and experienced workforce support. The Government should look to raise size standards to allow more small businesses to remain in the Federal marketplace longer, and certainly not lower these standards. Raising size standards would both expand the small business base for Federal agencies and improve the runway for these firms as they grow and have a chance to successfully graduate from their status as small businesses.

2. Secondary Impact on the Rule of Two

Failing to increase size standards, or reducing these standards, will continue the trend of decreasing small business participation in the Federal marketplace. FAR 19.502-2 requires that contracting officers shall set aside any acquisition over the Simplified Acquisition Threshold for small business participation when there is a reasonable expectation that offers will be obtained from at least two responsible small business concerns at fair market prices (the “Rule of Two”). Lowering size standards would decrease the pool of eligible offerors, and thus lead to fewer small business set-asides overall due to the reduced applicability of the Rule of Two.

3. Increase size standards

The U.S. small business industrial base needs more opportunities for small businesses to compete for awards, not fewer. This requires increasing size standards across the board to reflect the current economic realities and allow for the growth of small businesses to a point that they can effectively compete in full and open competition against large businesses upon graduation. An upward adjustment would enable a broader spectrum of small- and mid-sized businesses to compete for Federal contracts, ensuring a healthy, competitive marketplace that benefits the Government through access to a wider array of innovative solutions with greater competition.

4. Opposition to Geographically Differing Size Standards

The notion of geographically differing size standards, which has been proposed by SBA, is not reflective of the reality of the modern-day global economy, in which vendors and suppliers operate remotely and across multiple state and national boundaries. We urge the Government to maintain uniform industry size standards.

5. Request for Further Analysis

We request the Government provide a detailed analysis of how SBA’s proposed changes, especially regarding adoption of the disparity ratio approach and the utilization of the Federal Procurement Data System (FPDS) and the System for Award Management (SAM) will affect small businesses across various industries. This analysis should include an assessment of potential impacts on small business participation in federal contracting.

In conclusion, while we recognize the importance of reviewing SBA’s methodology for assessing size standards, it is crucial that any revisions are made with a clear focus on enhancing retention of the U.S. Federal contractor base.

Very respectfully,

The Global Small Business Sustainability Coalition