



February 22, 2013

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

The Honorable John Boehner
Speaker
United States House of Representatives
H-232 US Capitol
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
221 US Capitol
Washington, DC 20510

Dear President Obama, Speaker Boehner, and Majority Leader Reid,

The Small Business Technology Council writes to you on behalf of our membership of high-technology small businesses and entrepreneurs to ask you to take steps to make sure small businesses aren't disproportionately and adversely impacted during the current and future budget cuts process. We believe drastically reducing small business contracts and awards could have a devastating effect on America's small business community. Drastic cuts in small business programs such as the Small Business Innovation Research (SBIR) program could result in thousands of small business employees losing their jobs. This would also adversely affect the growth of these businesses and the commercialization of government funded technology over the next years.

The federal government awards approximately \$95 billion annually in federal contracts to 120,000 small businesses, representing around 21-23% of federal contracting dollars. In return, American small businesses create 64% of all new jobs in the US, and produce 16 times more patents per employee than large firms¹. Both the White House and Congress understand these facts and acknowledge the importance of small business in creating jobs and driving American innovation. And yet small business programs are among the first to get cut during periods of belt tightening. Our members have expressed concern that it appears some agencies have stopped awarding small business contracts while continuing to make awards to larger prime contractors. In fact, many small businesses have already reported that agencies are slowing or stopping small businesses contracts. Some agencies have even giving stop-work orders to contracts that have already been awarded in anticipation of budget cuts. These delays and reductions in awards have forced numerous small companies to lay off employees.

¹ <http://www.sba.gov/sites/default/files/FINAL%20FAQ%202012%20Sept%202012%20web.pdf>

In addition to small business prime contractors, there are thousands of small businesses who are subcontractors on federal contracts. Without government action, the upcoming budget reductions will almost certainly disproportionately impact small business subcontractors. The government needs to take steps to ensure that prime contractors continue to meet their subcontracting goals, and continue to provide the same percentage of funds to the small businesses that they were providing prior to the budget reductions.

With large budget cuts across the board in federal spending, every firm that does business will be affected by sequestration, but it is small business that is least able to survive it. While large firms can often seek bridge loans and other forms of credit from the private sector to make it through massive cuts in government spending, most small businesses simply don't have that access to credit. Recent studies by the SBA have shown dramatic reductions in bank lending to small business in the last few years.

We understand that the budget cuts will be applied to all areas of the federal government. However, it is unfair that the businesses that are least able to survive sequestration and budget cuts are disproportionately targeted for cuts. When agencies shut down or severely curtail their small business programs like SBIR, even for a relatively short term, it will seriously threaten the survival of thousands of small businesses, and it is quite likely that many small businesses will have to shutter and lay off their workforce as a result.

If Congress and the White House do not take steps to protect small businesses from overly severe and disproportionate cuts during the upcoming budget reduction, it could have disastrous effects on the U.S. economy, job creation, and America's ability to produce innovative new technologies. It is vital that you ensure that agencies continue to meet their obligations to allocate a certain percentage of their spending on small business, and that they can't simply eliminate their small business programs to meet their new budget numbers. We, the undersigned small businesses and small business employees, urge you to help safeguard America's innovative small businesses and make sure that SBIR and other small business programs are not completely shut down or disproportionately affected by the federal agencies during this budget process.

Jere W. Glover
Executive Director
Small Business Technology Council