

Proposal to Foster Economic Growth  
U.S. Senate Committee on Banking, Housing & Urban Affairs  
**Submitted by Gary Brand- gbrand @brandferlandadvisors.com**

Description of proposal

Many look to the federal government to spur economic growth by creating new spending programs. Conversely, economic expansion can be fueled merely by contracting out more government functions to small businesses.

Impact on economic growth

According to the Gallup Organization, “during the past two decades in the U. S., small & medium-sized enterprises have accounted for virtually all new jobs created.” Therefore, contracting out government services to small business impacts the economy and creates jobs in two ways.

First, there are many government functions that can be contracted to businesses, i. e. Maintenance, engineering, landscaping, waste collection, etc.

Second, when small enterprises are involved, there is a multiplier effect on the economy. Numerous academic studies confirm this impact. And the public sector supports this connection too. For example, when the State of Georgia allocated \$200 million to road repairs, Georgia Transportation Commissioner Russell McMurry stated that the payback to taxpayers was \$ 4 for every dollar spent.

Moreover, government also benefits from partnering with business. For struggling municipalities, additional tax collections are generated when workers and material are sourced locally. For example, in 2013, the City of Savannah, GA spent \$60 million on procurement. Approximately 75% was awarded to non-local vendors, resulting in an annual loss of sales tax collections of over \$1 million and roughly 460 jobs that were never created in the community.

On top of increased revenue, lower long-term taxpayer-funded costs can result from decreasing public workers. For example, for each worker eligible for a pension, the government (and worker) has to set aside \$1,050 monthly for 25 years to generate an annual pension of \$ 40,000.

### Legislative language

- 1) Government needs to market the idea of subcontracting some functions.
- 2) An analysis of the present status could be derived as follows:
  - a) Small Business Development Centers (already funded by the SBA) can go online to the local municipal purchasing department and capture the total of existing services currently awarded to small business.
  - b) Every six months the SBDC updates these stats to include the percentage increase –stated in terms of **jobs created** and **economic impact in dollars**. (No costly economic studies need be commissioned)
  - c) Heavily encourage no direct relatives of local city commissioners or department heads from bidding
- 3) To boost the use of small businesses :
  - a) Small Business Development Centers should be directed to compile and post the change in percentage of local functions contracted out.
  - b) An annual awards banquet (funded by sponsors) in Washington should be held to recognize the communities that have **increased** their subcontracting to small enterprises.

In conclusion, economic growth and jobs can be increased by contracting government functions to small businesses without incurring additional spending.