folder (NRC–2017–0151); (2) click the ''Sign up for Email Alerts'' link; and (3) enter your email address and select how frequently you would like to receive emails (daily, weekly, or monthly).

List of Subjects in 10 CFR Part 50

Administrative practice and procedure, Antitrust, Backfitting, Classified information, Criminal penalties, Education, Fire prevention, Fire protection, Incorporation by reference, Intergovernmental relations, Nuclear power plants and reactors, Penalties, Radiation protection, Reactor siting criteria, Reporting and recordkeeping requirements, Whistleblowing.

Dated at Rockville, Maryland, this 24th day of September, 2020.

For the Nuclear Regulatory Commission.

Annette Vietti-Cook,

Secretary for the Commission.

[FR Doc. 2020–21506 Filed 10–1–20; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

13 CFR Part 121

RIN 3245–AG89

Small Business Size Standards: Agriculture, Forestry, Fishing and Hunting; Mining, Quarrying, and Oil and Gas Extraction; Utilities; Construction

AGENCY: U.S. Small Business Administration.

ACTION: Proposed rule.

SUMMARY: The U.S. Small Business Administration (SBA) proposes to increase its receipts-based small business size definitions (commonly referred to as ''size standards'') for North American Industry Classification System (NAICS) Sectors related to Agriculture, Forestry, Fishing and Hunting; Mining, Quarrying, and Oil and Gas Extraction; Utilities; and Construction. SBA proposes to increase size standards for 68 industries in those sectors, including 58 industries and 2 subindustries (''exceptions'') in NAICS Sector 11 (Agriculture, Forestry, Fishing and Hunting), 3 industries in Sector 21 (Quarrying, and Oil and Gas Extraction), 3 industries in Sector 22 (Utilities), and 1 industry and 1 subindustry (''exception'') in Sector 23 (Construction). SBA's proposed revisions relied on its recently revised ''Size Standards Methodology'' (Methodology). SBA seeks comments on its proposed changes to size standards in the above sectors, and the data sources it evaluated to develop the proposed size standards.

DATES: SBA must receive comments to this proposed rule on or before December 1, 2020.

ADDRESSES: Identify your comments by RIN 3245–AG89 and submit them by one of the following methods: (1) Federal eRulemaking Portal: *www.regulations.gov.* Follow the instructions for submitting comments; or (2) Mail/Hand Delivery/Courier: Khem R. Sharma, Ph.D., Chief, Office of Size Standards, 409 Third Street SW, Mail Code 6530, Washington, DC 20416.

SBA will post all comments to this proposed rule on *www.regulations.gov.* If you wish to submit confidential business information (CBI) as defined in the User Notice at *www.regulations.gov,* you must submit such information to U.S. Small Business Administration, Khem R. Sharma, Ph.D., Chief, Office of Size Standards, 409 Third Street SW, Mail Code 6530, Washington, DC 20416, or send an email to *sizestandards@sba.gov.* Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review your information and determine whether it will make the information public.

FOR FURTHER INFORMATION CONTACT: Jorge Laboy-Bruno, Ph.D., Economist, Office of Size Standards, (202) 205–6618 or *sizestandards@sba.gov.*

SUPPLEMENTARY INFORMATION: To determine eligibility for Federal small business assistance, SBA establishes small business size definitions (usually referred to as ''size standards'') for private sector industries in the United States. SBA uses two primary measures of business size for size standards purposes: Average annual receipts and average number of employees. SBA uses financial assets for certain financial industries and refining capacity, in addition to employees, for the petroleum refining industry to measure business size. In addition, SBA's Small Business Investment Company (SBIC), Certified Development Company (504), and 7(a) Loan Programs use either the industry-based size standards or tangible net worth and net income based alternative size standards to determine eligibility for those programs.

In September 2010, Congress passed the Jobs Act (Pub. L. 111–240, 124 Stat. 2504, September 27, 2010), (Jobs Act) requiring SBA to review all size standards every five years and make necessary adjustments to reflect current industry and market conditions. In accordance with the Jobs Act, in early 2016 SBA completed the first 5-year review of all size standards—except those for agricultural enterprises for which size standards were previously set by Congress—and made appropriate adjustments to size standards for a number of industries to reflect current industry and Federal market conditions.

During the previous 5-year comprehensive review SBA reviewed the receipts-based size standards for sixteen (16) industries and two (2) exceptions within NAICS Sector 11 (Agriculture, Forestry, Fishing and Hunting); four (4) industries within Sector 21 (Quarrying, and Oil and Gas Extraction), Subsector 213 (Support Activity for Mining); three (3) industries in Sector 22 (Utilities) and thirty-one (31) industries and one (1) exception in Sector 23 (Construction). These reviews of receipts-based size standards occurred during October 2010 to December 2013. SBA's analyses of the relevant industry and Federal contracting data available at that time supported lowering size standards for twenty-eight (28) industries in Sector 23 and four (4) industries and two (2) exceptions in Sector 11. However, taking into consideration economic conditions at the time, SBA decided to either retain all size standards for which the industry analysis suggested a lower size standard at existing levels or bring them up to the relevant common size standard. In the final rules, SBA increased receipts-based size standards for nineteen (19) of all industries reviewed, including eleven (11) industries in Sector 11 (78 FR 37398, June 20, 2013); three (3) industries in Sector 21 (78 FR 37404, June 20, 2013); three (3) industries in Sector 22 (78 FR 77343, December 23, 2013); and one (1) industry and one (1) exception in Sector 23 (78 FR 77334, December 23, 2013). SBA retained the existing size standards for the remaining thirty-six (36) industries and two (2) exceptions in these sectors. Table 1, Size Standards Revisions During the First 5-Year Review, provides a summary of these revisions by NAICS sector.

TABLE 1—SIZE STANDARDS REVISIONS DURING THE FIRST 5-YEAR REVIEW

NAICS sector	Sector name	Number of size standards reviewed	Number of size standards increased	Number of size standards lowered	Number of size standards maintained
11	Agriculture, Forestry, Fishing and Hunting	18	11	0	7
21	Mining, Quarrying, and Oil and Gas Extraction	4	3	0	1
22	Utilities	3	3	0	0
23	Construction	32	2	0	30
All Sectors		57	19	0	38

Currently, there are twenty-seven (27) different size standards levels covering 1,023 NAICS industries and 14 subindustry activities (commonly known as ''exceptions'' in SBA's table of size standards). Sixteen (16) of these size levels are based on average annual receipts, nine (9) are based on average number of employees, and two (2) are based on other measures.

Section 1831 of the National Defense Authorization Act for Fiscal Year 2017 (''NDAA 2017'') (Pub. L. 114–328, December 23, 2016) directed SBA to establish size standards for all agricultural enterprises in the same manner as for other industries and to include them in the 5-year rolling review procedures established under section 1344(a) of the Jobs Act. Accordingly, in this proposed rule, SBA has also reviewed and proposed revisions to size standards for all agricultural industries, including 46 industries that are being reviewed for the first time. As stated above, historically, the size standards for most agricultural industries were established by statute.

SBA also adjusts its monetary-based size standards for inflation at least once every five years. An interim final rule on SBA's latest inflation adjustment to size standards, effective August 19, 2019, was published in the **Federal Register** on July 18, 2019 (84 FR 34261). SBA also updates its size standards every five years to adopt the Office of Management and Budget's (OMB) quinquennial NAICS revisions to its table of small business size standards. Effective October 1, 2017, SBA adopted the OMB's 2017 NAICS revisions to its size standards (82 FR 44886, September 27, 2017).

This proposed rule is one of a series of proposed rules that will review size standards of industries grouped by various NAICS sectors. Rather than review all size standards at one time, SBA is reviewing size standards by grouping industries within various NAICS sectors that use the same size measure (*i.e.,* employees or receipts). In the current review, SBA will review size standards in six (6) groups of NAICS sectors. (In the prior review, SBA reviewed size standards mostly on a sector-by-sector basis.) Once SBA completes its review of size standards for a group of sectors, the Agency issues for public comments a proposed rule to revise size standards for those industries based on the latest available data and other factors deemed relevant by the SBA's Administrator.

Below is a discussion of SBA's revised ''Size Standards Methodology'' (Methodology), available at *www.sba.gov/size,* for establishing, reviewing, or modifying receipts-based size standards that SBA has applied to this proposed rule. SBA examines the structural characteristics of an industry as a basis to assess industry differences and the overall degree of competitiveness of an industry and of firms within the industry. Industry structure is typically examined by analyzing four primary factors—average firm size, degree of competition within an industry, start-up costs and entry barriers, and distribution of firms by size. To assess the ability of small businesses to compete for Federal contracting opportunities under the current size standards, as the fifth primary factor, SBA also examines, for each industry averaging $20 million or more in average annual Federal contract dollars, the small business share in Federal contract dollars relative to the small business share in total industry's receipts. When necessary, SBA also considers other secondary factors that are relevant to the industries and the interests of small businesses, including impacts of size standards changes on small businesses.

Size Standards Methodology

SBA has recently revised its Methodology for establishing, reviewing, or modifying size standards when necessary. See the notification in the April 11, 2019, edition of the **Federal Register** (84 FR 14587). The revised methodology is available on SBA's size standards web page at *www.sba.gov/size.* Prior to finalizing the revised Methodology, SBA issued a notification in the April 27, 2018 edition of the **Federal Register** (83 FR 18468) to solicit comments from the public and notify stakeholders of the proposed changes to the Methodology. SBA considered all public comments in finalizing the revised Methodology. For a summary of comments and SBA's responses, refer to the SBA's April 11, 2019, **Federal Register** notification.

The revised Methodology represents a major change from the previous methodology, which was issued on October 21, 2009 (74 FR 53940). Specifically, in its revised Methodology SBA is replacing the ''anchor'' approach applied in the previous methodology with a ''percentile'' approach for evaluating differences in characteristics among various industries. Under the ''anchor'' approach, SBA generally evaluated the characteristics of individual industries relative to the average characteristics of industries with the anchor size standard to determine whether they should have a higher or a lower size standard than the anchor. In the ''percentile'' approach, SBA ranks each industry among all industries with the same measure of size standards (such as receipts or employees) in terms of four primary industry factors, discussed in the Industry Analysis subsection below. The ''percentile'' approach is explained more fully elsewhere in this proposed rule. For a more detailed explanation please see the revised methodology at *www.sba.gov/size.* Additionally, as the fifth factor, SBA evaluates the difference between the small business share in Federal contract dollars and the small business share in total industry's receipts to compute the size standard for the Federal contracting factor. The overall size standard for an industry is then obtained by averaging all size standards supported by each primary factor. The evaluation of the Federal contracting factor is explained more fully elsewhere in this proposed rule.

SBA does not apply all aspects of its Methodology to all proposed rules because not all features are relevant for every industry covered by each proposed rule. For example, since all industries covered by this proposed rule have receipts-based size standards, the Methodology described in this proposed rule applies only to establishing, reviewing, or modifying receipts-based size standards. SBA's Methodology is available on its website at *www.sba.gov/size.*

Industry Analysis

Congress granted SBA's Administrator discretion to establish detailed small business size standards (15 U.S.C. 632(a)(2)). Specifically, section 3(a)(3) of the Small Business Act (15 U.S.C. 632(a)(3)) requires that ''. . . the [SBA] Administrator shall ensure that the size standard varies from industry to industry to the extent necessary to reflect the differing characteristics of the various industries and consider other factors deemed to be relevant by the Administrator.'' Accordingly, the economic structure of an industry is the basis for establishing, reviewing, or modifying small business size standards. In addition, SBA considers current economic conditions, its mission and program objectives, the Administration's current policies, impacts on small businesses under current size and proposed or revised size standards, suggestions from industry groups and Federal agencies, and public comments on the proposed rule. SBA also examines whether a size standard based on industry and other relevant data successfully excludes businesses that are dominant in the industry.

The goal of SBA's size standards review is to determine whether its existing small business size standards reflect the current industry structure and Federal market conditions and revise them when the latest available data suggest that revisions are warranted. In the past, SBA compared the characteristics of each industry with the average characteristics of a group of industries associated with the ''anchor'' size standard. For example, in the first 5-year comprehensive review of size standards under the Jobs Act, $7 million (now $8.0 million due to the inflation adjustment in 2019; see 84 FR 34261 (July 18, 2019)) was considered the ''anchor'' for receipts-based size standards and 500 employees was the ''anchor'' for employee-based size standards. If the characteristics of a specific industry under review were similar to the average characteristics of industries in the anchor group, SBA generally adopted the anchor size standard for that industry. If the specific industry's characteristics were significantly different from those in the anchor group, SBA assigned a size standard that was higher or lower than the anchor. To determine a size standard above or below the anchor size standard, SBA evaluated the characteristics of a second comparison group of industries with higher size standards. For industries with receipts-based standards, the second comparison group consisted of industries with size standards between $23 million and $35.5 million, with the weighted average size standard for the group equaling $29 million. For manufacturing industries and other industries with employee-based size standards (except for Wholesale Trade and Retail Trade), the second comparison group included industries with a size standard of 1,000 employees or 1,500 employees, with the weighted average size standard of 1,323 employees. Using the anchor size standard and average size standard for the second comparison group, SBA computed a size standard for an industry's characteristic (factor) based on the industry's position for that factor relative to the average values of the same factor for industries in the anchor and second comparison groups.

Under the ''percentile'' approach, for each industry factor, an industry is ranked and compared with the 20th percentile and 80th percentile values of that factor among the industries sharing the same measure of size standards (*i.e.,* receipts or employees). Combining that result with the 20th percentile and 80th percentile values of size standards among the industries with the same measure of size standards, SBA computes a size standard supported by each industry factor for each industry. In the previous Methodology, comparison industry groups were predetermined independent of the data, while in the revised Methodology they are established using the actual data. A more detailed description of the percentile method is provided in SBA's Methodology, available at *www.sba.gov/size.*

The primary factors that SBA evaluates to examine industry structure include average firm size, startup costs and entry barriers, industry competition, and distribution of firms by size. SBA also evaluates, as an additional primary factor, small business success in receiving Federal contracting assistance under the current size standards. Specifically, for the Federal contracting factor, SBA examines the small business share of Federal contract dollars relative to small business share of total receipts within an industry. These are, generally, the five most important factors SBA examines when establishing, reviewing, or revising a size standard for an industry. However, SBA will also consider and evaluate other secondary factors that it believes are relevant to a particular industry (such as technological changes, growth trends, SBA financial assistance, other program factors). SBA also considers possible impacts of size standard revisions on eligibility for Federal small business assistance, current economic conditions, the Administration's policies, and suggestions from industry groups and Federal agencies. Public comments on proposed rules also provide important additional information. SBA thoroughly reviews all public comments before making a final decision on its proposed revisions to size standards. Below are brief descriptions of each of the five primary factors that SBA has evaluated for each industry being reviewed in this proposed rule. A more detailed description of this analysis is provided in the SBA's Methodology, available at *www.sba.gov/size.*

1. *Average firm size.* SBA computes two measures of average firm size: simple average and weighted average. For industries with receipts-based size standards, the simple average is the total receipts of the industry divided by the total number of firms in the industry. The weighted average firm size is the summation of all the receipts of the firms in an industry multiplied by their share of receipts in the industry. The simple average weighs all firms within an industry equally regardless of their size. The weighted average overcomes that limitation by giving more weight to larger firms. The size standard supported by average firm size is obtained by averaging size standards supported by simple average firm size and weighted average firm size.

If the average firm size of an industry is higher than the average firm size for most other industries, this would generally support a size standard higher than the size standards for other industries. Conversely, if the industry's average firm size is lower than that of most other industries, it would provide a basis to assign a lower size standard as compared to size standards for most other industries.

2. *Startup costs and entry barriers.* Startup costs reflect a firm's initial size in an industry. New entrants to an industry must have sufficient capital and other assets to start and maintain a viable business. If firms entering an industry under review have greater capital requirements than firms in most other industries, all other factors remaining the same, this would be a basis for a higher size standard.

Conversely, if the industry has smaller capital needs compared to most other industries, a lower size standard would be considered appropriate.

Given the lack of actual data on startup costs and entry barriers by industry, SBA uses average assets as a proxy for startup costs and entry barriers. To calculate average assets, SBA begins with the sales to total assets ratio for an industry from the Risk Management Association's Annual Statement Studies, available at *https://rmau.org/.* SBA then applies these ratios to the average receipts of firms in that industry obtained from the Economic Census tabulation. An industry with average assets that are significantly higher than most other industries is likely to have higher startup costs; this in turn will support a higher size standard. Conversely, an industry with average assets that are similar to or lower than most other industries is likely to have lower startup costs; this will support either lowering or maintaining the size standard.

3. *Industry competition.* Industry competition is generally measured by the share of total industry receipts generated by the largest firms in an industry. SBA generally evaluates the share of industry receipts generated by the four largest firms in each industry. This is referred to as the ''4-firm concentration ratio,'' a commonly used economic measure of market competition. Using the 4-firm concentration ratio, SBA compares the degree of concentration within an industry to the degree of concentration of the other industries with the same measure of size standards. If a significantly higher share of economic activity within an industry is concentrated among the four largest firms compared to most other industries, all else being equal, SBA would set a size standard that is relatively higher than for most other industries. Conversely, if the market share of the four largest firms in an industry is appreciably lower than the similar share for most other industries, the industry will be assigned a size standard that is lower than those for most other industries.

4. *Distribution of firms by size.* SBA examines the shares of industry total receipts accounted for by firms of different receipts and employment sizes in an industry. This is an additional factor SBA considers in assessing competition within an industry besides the 4-firm concentration ratio. If the preponderance of an industry's economic activity is attributable to smaller firms, this generally indicates that small businesses are competitive in that industry, which would support adopting a smaller size standard. A higher size standard would be supported for an industry in which the distribution of firms indicates that most of the economic activity is concentrated among the larger firms.

Concentration is a measure of inequality of distribution. To determine the degree of inequality of distribution in an industry, SBA computes the Gini coefficient, using the Lorenz curve. The Lorenz curve presents the cumulative percentages of units (firms) along the horizontal axis and the cumulative percentages of receipts (or other measures of size) along the vertical axis. (For further detail, see SBA's Methodology on its website at *www.sba.gov/size.*) Gini coefficient values vary from zero to one. If receipts are distributed equally among all the firms in an industry, the value of the Gini coefficient will equal zero. If an industry's total receipts are attributed to a single firm, the Gini coefficient will equal one.

SBA compares the degree of inequality of distribution for an industry under review with other industries with the same type of size standards. If an industry shows a higher degree of inequality of distribution (hence a higher Gini coefficient value) compared to most other industries in the group this would, all else being equal, warrant a size standard that is higher than the size standards assigned to most other industries. Conversely, an industry with lower degree of inequality (*i.e.,* a lower Gini coefficient value) than most others will be assigned a lower size standard relative to others.

5. *Federal contracting.* As the fifth factor, SBA examines the success small businesses are having in winning Federal contracts under the current size standard as well as the possible impact a size standard change may have on Federal small business contracting opportunities. The Small Business Act requires the Federal government to ensure that small businesses receive a ''fair proportion'' of Federal contracts. The legislative history also discusses the importance of size standards in Federal contracting. To incorporate the Federal contracting factor in the size standards analysis, SBA evaluates small business participation in Federal contracting in terms of the share of total Federal contract dollars awarded to small businesses relative to the small business share of industry's total receipts. In general, if the share of Federal contract dollars awarded to small businesses in an industry is significantly smaller than the small business share of total industry's receipts, all else remaining the same, a justification would exist for considering a size standard higher than the current size standard. In cases where small business share of the Federal market is already appreciably high relative to the small business share of the overall market, SBA generally assumes that the existing size standard is adequate with respect to the Federal contracting factor.

The disparity between the small business Federal market share and industry-wide small business share may be due to various factors, such as extensive administrative and compliance requirements associated with Federal contracts, the different skill set required to perform Federal contracts as compared to typical commercial contracting work, and the size of Federal contracts. These, as well as other factors, are likely to influence the type of firms within an industry that compete for Federal contracts. By comparing the small business Federal contracting share with the industry-wide small business share, SBA includes in its size standards analysis the latest Federal market conditions.

Besides the impact on Federal contracting, SBA also examines impacts on SBA's loan programs both under the current and revised size standards.

Sources of Industry and Program Data

SBA's primary source of industry data used in this proposed rule for evaluating industry characteristics and developing size standards is a special tabulation of the Economic Census from the U.S. Census Bureau (*www.census.gov/econ/census*). The tabulation based on the 2012 Economic Census is the latest available. The special tabulation provides industry data on the number of firms, number of establishments, number of employees, annual payroll, and annual receipts of companies by Industry (6-digit level), Industry Group (4-digit level), Subsector (3-digit level), and Sector (2-digit level). These data are arrayed by various classes of firms' size based on the overall number of employees and receipts of the entire enterprise (all establishments and affiliated firms) from all industries. The special tabulation also contains information for different levels of NAICS categories on average and median firm size in terms of both receipts and employment, total receipts generated by the four and eight largest firms, the Herfindahl-Hirschman Index (HHI), the Gini coefficient, and size distributions of firms by various receipts and employment size groupings.

In some cases, where data were not available due to disclosure prohibitions in the Census Bureau's tabulation, SBA either estimated missing values using available relevant data or examined data at a higher level of industry aggregation, such as at the NAICS 2-digit (Sector), 3-digit (Subsector), or 4-digit (Industry Group) level. In some instances, SBA's analysis was based only on those factors for which data were available or estimates of missing values were possible.

To evaluate some industries that are not covered by the Economic Census, SBA used a similar special tabulation of the latest County Business Patterns (CBP) published by the U.S. Census Bureau (*www.census.gov/programs-surveys/cbp.html*). Similarly, to evaluate industries in NAICS Sector 11 that are also not covered by the Economic Census and CBP, SBA evaluated a similar special tabulation based on the 2012 Census of Agriculture (*www.nass.usda.gov*) from the National Agricultural Statistics Service (NASS). Besides the Economic Census, Agricultural Census and CBP tabulations, SBA also evaluates relevant industry data from other sources when necessary, especially for industries that are not covered by the Economic Census or CBP. These include the Quarterly Census of Employment and Wages (QCEW, also known as ES–202 data) (*www.bls.gov/cew/*) and Business Employment Dynamics (BED) data (*www.bls.gov/bdm/*) from the U.S. Bureau of Labor Statistics. Similarly, to evaluate certain financial industries that have assets-based size standards, SBA examines the data from the Statistics on Depository Institutions (SDI) database (*www5.fdic.gov/sdi/main.asp*) of the Federal Deposit Insurance Corporation (FDIC). Finally, to evaluate the capacity component of the Petroleum Refiners (NAICS 324110) size standard, SBA evaluates the petroleum production data from the Energy Information Administration (*www.eia.gov*).

To calculate average assets, SBA used sales to total assets ratios from the Risk Management Association's Annual eStatement Studies, 2016–2018 (*https://rmau.org/*). To evaluate Federal contracting trends and evaluate two exceptions in Sector 11 and one exception in Sector 23, SBA examined the data on Federal prime contract awards from the Federal Procurement Data System—Next Generation (FPDS–NG) (*www.fpds.gov*) for fiscal years 2016–2018. To assess the impact on financial assistance to small businesses, SBA examined its internal data on 7(a) and 504 loan programs for fiscal years 2016–2018. For some portion of impact analysis, SBA also evaluated the data from the System of Award Management (*www.sam.gov*).

Data sources and estimation procedures SBA uses in its size standards analysis are documented in detail in SBA's Methodology, which is available at *www.sba.gov/size.*

Dominance in Field of Operation

Section 3(a) of the Small Business Act (15 U.S.C. 632(a)) defines a small business concern as one that is: (1) Independently owned and operated; (2) not dominant in its field of operation; and (3) within a specific small business definition or size standard established by SBA Administrator. SBA considers as part of its evaluation whether a business concern at a proposed size standard would be dominant in its field of operation. For this, SBA generally examines the industry's market share of firms at the proposed or revised size standard as well as the distribution of firms by size. Market share and size distribution may indicate whether a firm can exercise a major controlling influence on a national basis in an industry where a significant number of business concerns are engaged. If a contemplated size standard includes a dominant firm, SBA will consider a lower size standard to exclude the dominant firm from being defined as small.

Selection of Size Standards

In the 2009 Methodology SBA applied to the first 5-year comprehensive review of size standards, SBA adopted a fixed number of size standards levels as part of its effort to simplify size standards. In response to public comments to the 2009 Methodology white paper, and the 2013 amendment to the Small Business Act (section 3(a)(8)) under section 1661 of the National Defense Authorization Act for Fiscal Year 2013 (''NDAA 2013'') (Pub. L. 112–239, January 2, 2013), in the revised Methodology SBA relaxed the limitation on the number of small business size standards. Specifically, section 1661 of NDAA 2013 states ''SBA cannot limit the number of size standards, and shall assign the appropriate size standard to each industry identified by NAICS.''

In the revised Methodology, SBA calculates a separate size standard for each NAICS industry. However, to account for errors and limitations associated with various data SBA evaluates in the size standards analysis, SBA rounds the calculated size standard value for a receipts-based size standard to the nearest $500,000, except for agricultural industries in Subsectors 111 and 112 for which the calculated size standards will be rounded to the nearest $250,000. This rounding procedure is applied both in calculating a size standard for each of the five primary factors and in calculating the overall size standard for the industry.

As a policy decision, SBA continues to maintain the minimum and maximum levels for both receipts and employee-based size standards. Accordingly, SBA will not generally propose or adopt a size standard that is either below the minimum level or above the maximum, even though the calculations yield values below the minimum or above the maximum. The minimum size standard reflects the size an established small business should be to have adequate capabilities and resources to be able to compete for and perform Federal contracts (but does not account for small businesses that are newly formed or just starting operations). On the other hand, the maximum size standard represents the level above which businesses, if qualified as small, would outcompete much smaller businesses when accessing Federal assistance.

With respect to receipts-based size standards, SBA has established $6 million and $41.5 million, respectively, as the minimum and maximum size standard levels (except for most agricultural industries in NAICS Subsectors 111 and 112). These levels reflect the current minimum of $6.0 million and the current maximum of $41.5 million. The industry data suggests that $6 million minimum and $41.5 million maximum size standards would be too high for agricultural industries. Accordingly, SBA has established $1 million as the minimum size standard and $5 million as the maximum size standard for industries in Subsector 111 (Crop Production) and Subsector 112 (Animal Production and Aquaculture).

Evaluation of Industry Factors

As mentioned earlier, to assess the appropriateness of the current size standards SBA evaluates the structure of each industry in terms of four economic characteristics or factors, namely average firm size, average assets size as a proxy for startup costs and entry barriers, the 4-firm concentration ratio as a measure of industry competition, and size distribution of firms using the Gini coefficient. For each size standard type (*i.e.,* receipts-based or employee-based) SBA ranks industries both in terms of each of the four industry factors and in terms of the existing size standard and computes the 20th percentile and 80th percentile values for both. SBA then evaluates each industry by comparing its value for each industry factor to the 20th percentile and 80th percentile values for the corresponding factor for industries under a particular type of size standard.

If the characteristics of an industry under review within a particular size standard type are similar to the average characteristics of industries within the same size standard type in the 20th percentile, SBA will consider adopting as an appropriate size standard for that industry the 20th percentile value of size standards for those industries. For each size standard type, if the industry's characteristics are similar to the average characteristics of industries in the 80th percentile, SBA will assign a size standard that corresponds to the 80th percentile in the size standard rankings of industries. A separate size standard is established for each factor based on the amount of differences between the factor value for an industry under a particular size standard type and 20th percentile and 80th percentile values for the corresponding factor for all industries in the same type. Specifically, the actual level of the new size standard for each industry factor is derived by a linear interpolation using the 20th percentile and 80th percentile values of that factor and corresponding percentiles of size standards. Each calculated size standard is bounded between the minimum and maximum size standards levels, as discussed before. As noted earlier, the calculated value for a receipts-based size standard for each industry factor is rounded to the nearest $500,000, except for industries in Subsectors 111 and 112 for which a calculated size standard is rounded to the nearest $250,000.

Table 2, 20th and 80th Percentiles of Industry Factors for Receipts-based Size Standards, shows the 20th percentile and 80th percentile values for average firm size (simple and weighted), average assets size, 4-firm concentration ratio, and Gini coefficient for industries with receipts-based size standards.

TABLE 2—20TH AND 80TH PERCENTILES OF INDUSTRY FACTORS FOR RECEIPTS-BASED SIZE STANDARDS

Industries/percentiles	Simple average receipts size ($ million)	Weighted average receipts size ($ million)	Average assets size ($ million)	4-firm concentration ratio (%)	Gini coefficient
Industries, excluding Subsectors 111 and 112					
20th percentile	0.83	19.42	0.34	7.9	0.686
80th percentile	7.52	830.65	5.19	42.4	0.834
Industries in Subsectors 111 and 112					
20th percentile	0.06	1.48	0.07	1.7	0.608
80th percentile	0.83	13.32	0.88	12.3	0.908

Estimation of Size Standards Based on Industry Factors

An estimated size standard supported by each industry factor is derived by comparing its value for a specific industry to the 20th percentile and 80th percentile values for that factor. If an industry's value for a particular factor is near the 20th percentile value in the distribution, the supported size standard will be one that is close to the 20th percentile value of size standards for industries in the size standards group, which is $8.0 million. If a factor for an industry is close to the 80th percentile value of that factor, it would support a size standard that is close to the 80th percentile value in the distribution of size standards, which is $35.0 million. For a factor that is within, above, or below the 20–80th percentile range, the size standard is calculated using linear interpolation based on the 20th percentile and 80th percentile values for that factor and the 20th percentile and 80th percentile values of size standards.

For example, if an industry's simple average receipts are $1.9 million, that would support a size standard of $12.5 million. According to Table 2, the 20th percentile and 80th percentile values of average receipts are $0.83 million and $7.52 million, respectively. The $1.9 million is 15.9 percent between the 20th percentile value ($0.83 million) and the 80th percentile value ($7.52 million) of simple average receipts (($1.9 million − $0.83 million) ÷ ($7.52 million − $0.83 million) = 0.159 or 15.9%). Applying this percentage to the difference between the 20th percentile value ($8 million) and 80th percentile ($35.0 million) value of size standards and then adding the result to the 20th percentile size standard value ($8.0 million) yields a calculated size standard value of $12.32 million ([{$35.0 million − $8.0 million} * 0.159] + $8.0 million = $12.32 million). The final step is to round the calculated $12.32 million size standard to the nearest $500,000, which in this example yields $12.5 million. This procedure is applied to calculate size standards supported by other industry factors.

Detailed formulas involved in these calculations are presented in SBA's Methodology which is available at *www.sba.gov/size.*

Derivation of Size Standards Based on Federal Contracting Factor

Besides industry structure, SBA also evaluates Federal contracting data to assess the success of small businesses in getting Federal contracts under the existing size standards. For each industry with $20 million or more in annual Federal contract dollars, SBA evaluates the small business share of total Federal contract dollars relative to the small business share of total industry receipts. All other factors being equal, if the share of Federal contracting dollars awarded to small businesses in an industry is significantly less than the small business share of that industry's total receipts, a justification would exist for considering a size standard higher than the current size standard. Conversely, if the small business share of Federal contracting activity is near or above the small business share in total industry receipts, this will support the current size standard.

SBA increases the existing size standards by certain percentages when the small business share of total industry receipts exceeds the small business share of total Federal contract dollars by 10 or more percentage points. Proposed percentage increases generally reflect receipts levels needed to bring the small business share of Federal contracts on par with the small business share of industry receipts. These proposed percentage increases for receipts-based size standards are given in Table 3, Proposed Adjustments to Size Standards Based on Federal Contracting Factor.

TABLE 3—PROPOSED ADJUSTMENTS TO SIZE STANDARDS BASED ON FEDERAL CONTRACTING FACTOR

Size standards	Percentage difference between the small business shares of total Federal contract dollars in an industry and of total industry receipts		
	> − 10%	− 10% to − 30%	< − 30%
Receipts-based standards			
<$15 million	No change	Increase 30%	Increase 60%
$15 million to < $25 million	No change	Increase 20%	Increase 40%
$25 million to < $41.5 million	No change	Increase 15%	Increase 25%

For example, if an industry with the current size standard of $8.0 million had an average of $50 million in Federal contracting dollars, of which 15 percent went to small businesses, and if that small businesses accounted for 40 percent of total receipts of that industry, the small business share of total Federal contract dollars would be 25 percent less than the small business share of total industry receipts (40% − 15%). According to the above rule, the new size standard for the Federal contracting factor for that industry would be set by multiplying the current $8.0 million standard by 1.3 (*i.e.,* 30% increase) and then by rounding the result to the nearest $500,000, yielding a size standard of $10.5 million.

SBA evaluated the small business share of total Federal contract dollars for the thirty-one (31) industries covered by this proposed rule—five (5) in Sector 11, one (1) in Sector 21, three (3) in Sector 22, and twenty-two (22) in Sector 23)—that had $20 million or more in average annual Federal contract dollars during fiscal years 2016–2018. The Federal contracting factor was significant (*i.e.,* the difference between the small business share of total industry receipts and small business share of Federal contracting dollars was 10 percentage points or more) in seven (7) of these industries, prompting an upward adjustment of their existing size standards based on that factor. For the remaining twenty-four (24) industries that averaged $20 million or more in average annual contract dollars, the Federal contracting factor was not significant, and the existing size standard was applied for that factor. For industries with less than $20 million in average annual contract dollars, no size standard was calculated for the Federal contracting factor.

Derivation of Overall Industry Size Standard

The SBA's Methodology presented above results in five separate size standards based on evaluation of the five primary factors (*i.e.,* four industry factors and one Federal contracting factor). SBA typically derives an industry's overall size standard by assigning equal weights to size standards supported by each of these five factors. However, if necessary, SBA's Methodology would allow assigning different weights to some of these factors in response to its policy decisions and other considerations. For detailed calculations, see SBA's Methodology, available on its website at *www.sba.gov/size.*

Calculated Size Standards Based on Industry and Federal Contracting Factors

Table 4, Size Standards Supported by Each Factor for Each Industry (Receipts), below, shows the results of analyses of industry and Federal contracting factors for each industry and subindustry (exception) covered by this proposed rule. NAICS industries in columns 2, 3, 4, 5, 6, 7, and 8 show two numbers. The upper number is the value for the industry or Federal contracting factor shown on the top of the column and the lower number is the size standard supported by that factor. Column 9 shows a calculated new size standard for each industry. This is the average of the size standards supported by each factor, rounded to the nearest $500,000 for non-agriculture industries and rounded to the nearest $250,000 for agriculture industries. Analytical details involved in the averaging procedure are described in SBA's Methodology, which is available at *www.sba.gov/size.* For comparison with the calculated new size standards, the current size standards are in column 10 of Table 4.

TABLE 4—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)

[Upper value = calculated factor, lower value = size standard supported]

NAICS code NAICS industry title (1)	Type (2)	Simple average firm size ($ million) (3)	Weighted average firm size ($ million) (4)	Average assets size ($ million) (5)	Four-firm ratio (%) (6)	Gini coefficient (7)	Federal contract factor (%) (8)	Calculated size standard ($ million) (9)	Current size standard ($ million) (10)
111110 Soybean Farming	Factor	$0.2	$0.9	$0.1	0.3	0.663		$2.00	$1.00
	Size Std.	2.25	1.75	1.75	1.50	2.25			
111120 Oilseed (except Soybean) Farming.	Factor	0.3	1.1	0.2	5.5	0.544		2.00	1.00
	Size Std.	2.75	1.75	2.00	2.75	1.25			
111130 Dry Pea and Bean Farming.	Factor	0.3	1.2	0.2	7.5	0.630		2.50	1.00
	Size Std.	2.50	1.75	2.00	3.25	2.00			
111140 Wheat Farming	Factor	0.2	0.9	0.2	0.4	0.610		2.00	1.00
	Size Std.	2.25	1.75	2.25	1.50	1.75			
111150 Corn Farming	Factor	0.4	1.7	0.7	0.2	0.606		2.25	1.00
	Size Std.	2.75	1.75	3.50	1.50	1.75			
111160 Rice Farming	Factor	0.8	1.8	0.5	1.5	0.469		2.25	1.00
	Size Std.	4.00	1.75	3.00	1.75	1.00			
111190 Other Grain Farming (includes NAICS 111191 and 111199).	Factor	0.5	1.8	0.4	0.3	0.567		2.00	1.00
	Size Std.	3.25	1.75	2.75	1.50	1.50			
111211 Potato Farming	Factor	1.6	10.6	1.3	5.8	0.756		3.75	1.00
	Size Std.	5.00	3.75	5.00	2.75	3.00			

TABLE 4—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)—Continued

[Upper value = calculated factor, lower value = size standard supported]

NAICS code NAICS industry title (1)	Type (2)	Simple average firm size ($ million) (3)	Weighted average firm size ($ million) (4)	Average assets size ($ million) (5)	Four-firm ratio (%) (6)	Gini coefficient (7)	Federal contract factor (%) (8)	Calculated size standard ($ million) (9)	Current size standard ($ million) (10)
111219 Other Vegetable (except Potato) and Melon Farming.	Factor	0.3	17.8	0.2	3.5	0.943	....	3.25	1.00
	Size Std.	2.50	5.00	2.00	2.25	4.50			
111310 Orange Groves	Factor	0.3	12.2	0.4	11.0	0.856	....	3.50	1.00
	Size Std.	2.50	4.00	2.75	4.00	3.75			
111320 Citrus (except Orange) Groves.	Factor	0.2	11.1	0.3	22.7	0.892	....	3.75	1.00
	Size Std.	2.25	3.75	2.50	5.00	4.00			
111331 Apple Orchards	Factor	0.3	16.6	0.4	14.4	0.909	....	4.00	1.00
	Size Std.	2.50	5.00	3.00	4.75	4.25			
111332 Grape Vineyards	Factor	0.4	13.9	0.8	4.1	0.877	....	3.50	1.00
	Size Std.	2.75	4.25	4.00	2.25	4.00			
111333 Strawberry Farming	Factor	1.2	19.5	1.7	15.1	0.915	....	4.75	1.00
	Size Std.	5.00	5.00	5.00	5.00	4.25			
111334 Berry (except Strawberry) Farming.	Factor	0.1	7.1	0.2	11.1	0.900	....	3.25	1.00
	Size Std.	2.00	3.00	2.00	4.00	4.25			
111335 Tree Nut Farming	Factor	0.3	12.0	0.6	4.5	0.893	....	3.25	1.00
	Size Std.	2.50	4.00	3.25	2.50	4.00			
111336 Fruit and Tree Nut Combination Farming.	Factor	0.5	16.5	1.0	31.0	0.955	....	4.50	1.00
	Size Std.	3.00	5.00	4.50	5.00	4.75			
111339 Other Noncitrus Fruit Farming.	Factor	0.1	6.8	0.2	7.8	0.869	....	3.00	1.00
	Size Std.	2.00	2.75	2.00	3.25	4.00			
111410 Food Crops Grown Under Cover (includes NAICS 111411 and 111419).	Factor	0.5	29.1	0.2	19.6	0.950	....	4.00	1.00
	Size Std.	3.25	5.00	2.25	5.00	4.50			
111421 Nursery and Tree Production.	Factor	0.2	7.6	0.1	2.5	0.894	....	2.75	1.00
	Size Std.	2.25	3.00	2.00	2.00	4.25			
111422 Floriculture Production.	Factor	0.3	12.8	0.2	5.8	0.878	....	3.25	1.00
	Size Std.	2.75	4.25	2.25	2.75	4.00			
111910 Tobacco Farming	Factor	0.2	1.5	0.2	3.9	0.666	....	2.25	1.00
	Size Std.	2.25	1.75	2.00	2.25	2.25			
111920 Cotton Farming	Factor	0.5	7.2	0.5	6.6	0.572	....	2.75	1.00
	Size Std.	3.25	3.00	3.00	3.00	1.50			
111930 Sugarcane Farming	Factor	2.6	34.0	2.4	28.5	0.719	....	4.50	1.00
	Size Std.	5.00	5.00	5.00	5.00	2.75			
111940 Hay Farming	Factor	0.0	1.5	0.0	1.7	0.840	....	2.25	1.00
	Size Std.	1.75	1.75	1.50	1.75	3.75			
111990 All Other Crop Farming (includes NAICS 111991, 111992 and 111998).	Factor	0.1	4.6	0.0	1.7	0.973	−20.6	2.25	1.00
	Size Std.	1.75	2.50	1.75	1.75	4.75	1.25		
112111 Beef Cattle Ranching and Farming.	Factor	0.1	3.1	0.1	1.0	0.859	....	2.25	1.00
	Size Std.	1.75	2.00	1.75	1.50	3.75			
112112 Cattle Feedlots	Factor	2.8	63.3	2.0	3.9	0.907	....	19.50	8.00
	Size Std.	16.00	9.50	17.00	6.00	41.50			
112120 Dairy Cattle and Milk Production.	Factor	0.9	9.5	1.5	1.3	0.697	....	3.25	1.00
	Size Std.	4.50	3.50	5.00	1.75	2.50			
112210 Hog and Pig Farming.	Factor	1.0	11.4	0.8	2.7	0.803	....	3.50	1.00
	Size Std.	5.00	3.75	4.00	2.00	3.50			
112310 Chicken Egg Production.	Factor	0.3	17.8	0.3	4.9	0.936	....	15.50	16.50
	Size Std.	6.00	8.00	7.50	6.00	41.50			
112320 Broilers and Other Meat Type Chicken Production.	Factor	1.5	6.0	1.0	2.8	0.386	....	3.00	1.00
	Size Std.	5.00	2.75	4.50	2.00	1.00			
112330 Turkey Production	Factor	2.3	8.6	1.4	4.2	0.554	....	3.25	1.00
	Size Std.	5.00	3.25	5.00	2.25	1.25			
112340 Poultry Hatcheries	Factor	10.7	19.6	6.7	5.9	0.493	....	3.50	1.00
	Size Std.	5.00	5.00	5.00	2.75	1.00			
112390 Other Poultry Production.	Factor	0.1	6.2	0.1	11.0	0.931	....	3.25	1.00
	Size Std.	2.00	2.75	1.75	4.00	4.50			
112410 Sheep Farming	Factor	0.0	3.1	0.0	13.4	0.906	....	3.00	1.00
	Size Std.	1.50	2.00	1.50	4.50	4.25			
112420 Goat Farming	Factor	0.0	0.2	0.0	4.2	0.836	....	2.25	1.00
	Size Std.	1.50	1.50	1.50	2.25	3.75			
112500 Aquaculture (includes NAICS 112511, 112512 and 112519).	Factor	0.4	7.2	0.4	8.9	0.816	....	3.25	1.00
	Size Std.	2.75	3.00	2.75	3.50	3.50			
112910 Apiculture	Factor	0.0	0.7	0.0	6.5	0.882	....	2.75	1.00
	Size Std.	1.75	1.50	1.75	3.00	4.00			
112920 Horses and Other Equine Production.	Factor	0.0	1.0	0.0	3.7	0.900	....	2.50	1.00
	Size Std.	1.50	1.75	1.50	2.25	4.25			
112930 Fur-Bearing Animal and Rabbit Production.	Factor	0.0	1.6	0.0	48.9	0.894	....	3.25	1.00
	Size Std.	1.75	1.75	1.50	5.00	4.25			
112990 All Other Animal Production.	Factor	0.1	5.2	0.1	5.1	0.959	−6.9	2.50	1.00
	Size Std.	1.75	2.50	1.75	2.50	4.75	1.00		

TABLE 4—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)—Continued

[Upper value = calculated factor, lower value = size standard supported]

NAICS code NAICS industry title	Type	Simple average firm size ($ million)	Weighted average firm size ($ million)	Average assets size ($ million)	Four-firm ratio (%)	Gini coefficient	Federal contract factor (%)	Calculated size standard ($ million)	Current size standard ($ million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
113110 Timber Tract Operations.	Factor	1.8	19.4	1.0	29.6	0.749	....	16.50	12.00
	Size Std.	12.00	8.00	11.50	25.00	19.50			
113210 Forest Nurseries and Gathering Forest Products.	Factor	1.4	12.5	0.7	39.2	0.748	....	18.00	12.00
	Size Std.	10.00	8.00	10.00	32.50	19.50			
114111 Finfish Fishing	Factor	1.8	72.7	2.3	30.5	0.789	....	20.50	22.00
	Size Std.	12.00	10.00	18.50	25.50	26.50			
114112 Shellfish Fishing	Factor	0.8	18.5	0.6	25.9	0.700	....	12.50	6.00
	Size Std.	8.00	8.00	9.00	22.00	10.50			
114119 Other Marine Fishing.	Factor	0.8	6.6	0.7	....	0.707	....	10.00	8.00
	Size Std.	8.00	7.50	10.00		12.00			
114210 Hunting and Trapping.	Factor	0.6	9.8	0.5	....	0.666	....	7.50	6.00
	Size Std.	7.00	7.50	9.00		6.00			
115111 Cotton Ginning	Factor	4.3	10.0	3.3	10.2	0.541	....	14.00	12.00
	Size Std.	22.00	7.50	24.50	10.00	6.00			
115112 Soil Preparation, Planting, and Cultivating.	Factor	1.5	13.6	0.8	7.9	0.684	10.3	8.50	8.00
	Size Std.	10.50	8.00	10.50	8.00	7.50	8.00		
115113 Crop Harvesting, Primarily by Machine.	Factor	1.7	9.5	1.0	18.3	0.704	....	12.00	8.00
	Size Std.	11.50	7.50	11.50	16.00	11.50			
115114 Postharvest Crop Activities (except Cotton Ginning).	Factor	9.4	191.4	6.3	24.1	0.754	....	27.50	30.00
	Size Std.	41.50	13.50	41.00	20.50	20.50			
115115 Farm Labor Contractors and Crew Leaders.	Factor	1.8	15.3	1.0	....	0.727	....	12.50	16.50
	Size Std.	12.00	8.00	12.00		15.50			
115116 Farm Management Services.	Factor	1.3	10.5	0.7	17.9	0.743	....	13.50	8.00
	Size Std.	10.00	7.50	10.00	16.00	18.50			
115210 Support Activities for Animal Production.	Factor	0.6	24.8	0.3	....	0.724	−8.9	9.50	8.00
	Size Std.	7.00	8.00	7.50		15.00	8.00		
115310 Support Activities for Forestry.	Factor	0.9	11.3	0.4	12.6	0.723	21.3	10.00	8.00
	Size Std.	8.00	7.50	8.00	11.50	14.50	8.00		
115310 Except, Forest Fire Suppression.	Factor	3.7	198.9	1.6	27.6	0.867	74.7	23.5	20.5
	Size Std.	19.5	17.5	15.0	23.5	41.0	20.5		
115310 Except Fuels Management Services.	Factor	3.7	198.9	1.6	27.6	0.867	74.7	23.5	20.5
	Size Std.	19.5	17.5	15.0	23.5	41.0	20.5		
213112 Support Activities for Oil and Gas Operations.	Factor	11.5	4,184.6	9.6	34.2	0.849	10.1	38.0	41.5
	Size Std.	41.5	41.5	41.5	28.5	37.5	41.5		
213113 Support Activities for Coal Mining.	Factor	7.2	41.0	5.6	20.5	0.749	....	24.0	22.0
	Size Std.	34.0	8.5	37.0	18.0	19.5			
213114 Support Activities for Metal Mining.	Factor	12.2	236.0	9.4	54.8	0.823	....	36.0	22.0
	Size Std.	41.5	15.0	41.5	41.5	33.0			
213115 Support Activities for Nonmetallic Minerals (except Fuels) Mining.	Factor	2.8	32.1	2.2	34.3	0.708	....	18.0	8.0
	Size Std.	16.0	8.5	18.5	28.5	12.0			
221310 Water Supply and Irrigation Systems.	Factor	2.9	1,023.6	9.6	49.9	0.834	−17.0	36.0	30.0
	Size Std.	16.5	41.5	41.5	41.0	35.0	34.5		
221320 Sewage Treatment Facilities.	Factor	3.6	142.2	18.2	55.0	0.824	−6.9	31.0	22.0
	Size Std.	19.5	12.0	41.5	41.5	33.0	22.0		
221330 Steam and Air-Conditioning Supply.	Factor	43.3	176.2	24.0	60.3	0.678	21.4	26.5	16.5
	Size Std.	41.5	13.0	41.5	41.5	6.5	16.5		
236115 New Single-Family Housing Construction (except For-Sale Builders).	Factor	1.3	30.8	0.7	2.6	0.667	....	8.0	39.5
	Size Std.	10.0	8.5	9.5	6.0	6.0			
236116 New Multifamily Housing Construction (except For-Sale Builders).	Factor	10.9	121.7	3.6	9.4	0.782	−3.8	25.5	39.5
	Size Std.	41.5	11.5	26.5	9.0	25.5	39.5		
236117 New Housing For-Sale Builders.	Factor	5.2	1,172.3	3.5	19.9	0.818	....	27.5	39.5
	Size Std.	26.0	41.5	25.5	17.5	32.0			
236118 Residential Remodelers.	Factor	0.7	34.6	0.2	3.4	0.667	−62.6	13.5	39.5
	Size Std.	7.5	8.5	7.0	6.0	6.0	41.5		
236210 Industrial Building Construction.	Factor	10.2	351.6	3.5	17.7	0.830	17.0	29.0	39.5
	Size Std.	41.5	19.0	25.5	15.5	34.0	39.5		
236220 Commercial and Institutional Building Construction.	Factor	8.3	515.4	2.6	5.0	0.802	9.4	25.5	39.5
	Size Std.	38.5	24.5	20.5	6.0	29.0	39.5		
237110 Water and Sewer Line and Related Structures Construction.	Factor	4.1	98.2	2.0	6.5	0.756	−4.1	20.0	39.5
	Size Std.	21.0	10.5	17.5	7.0	21.0	39.5		
237120 Oil and Gas Pipeline and Related Structures Construction.	Factor	22.8	715.1	10.4	20.8	0.806	4.4	33.0	39.5
	Size Std.	41.5	31.0	41.5	18.0	30.0	39.5		
237130 Power and Communication Line and Related Structures Construction.	Factor	9.3	647.7	4.2	18.5	0.824	1.4	31.0	39.5
	Size Std.	41.5	29.0	30.0	16.0	33.0	39.5		
237210 Land Subdivision	Factor	2.7	42.4	6.8	8.1	0.782	....	22.0	30.0
	Size Std.	15.5	9.0	41.5	8.0	25.5			

TABLE 4—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)—Continued

[Upper value = calculated factor, lower value = size standard supported]

NAICS code NAICS industry title (1)	Type (2)	Simple average firm size ($ million) (3)	Weighted average firm size ($ million) (4)	Average assets size ($ million) (5)	Four-firm ratio (%) (6)	Gini coefficient (7)	Federal contract factor (%) (8)	Calculated size standard ($ million) (9)	Current size standard ($ million) (10)
237310 Highway, Street, and Bridge Construction.	Factor	12.3	285.7	6.2	6.9	0.779	24.8	28.5	39.5
	Size Std.	41.5	17.0	40.5	7.0	25.0	39.5		
237990 Other Heavy and Civil Engineering Construction.	Factor	7.4	458.2	3.9	20.6	0.825	7.8	29.5	39.5
	Size Std.	34.5	22.5	28.0	18.0	33.0	39.5		
237990 Except Dredging and Surface Cleanup Activities.	Factor	42.6	384.2	21.3	55.4	0.744	6.2	32.5	30.0
	Size Std	41.5	20.0	41.5	41.5	18.5.0	30.0		
238110 Poured Concrete Foundation and Structure Contractors.	Factor	1.7	53.3	0.6	4.9	0.731	−10.3	12.5	16.5
	Size Std.	11.5	9.0	9.5	6.0	16.0	20.0		
238120 Structural Steel and Precast Concrete Contractors.	Factor	3.1	38.3	1.3	7.1	0.720	26.9	13.0	16.5
	Size Std.	17.0	8.5	13.5	7.5	14.0	16.5		
238130 Framing Contractors.	Factor	0.8	19.0	0.2	5.0	0.707		8.5	16.5
	Size Std.	8.0	8.0	7.5	6.0	12.0			
238140 Masonry Contractors.	Factor	1.0	17.1	0.3	3.1	0.717	−4.8	10.5	16.5
	Size Std.	8.5	8.0	8.0	6.0	13.5	16.5		
238150 Glass and Glazing Contractors.	Factor	1.7	16.8	0.6	5.2	0.674		8.0	16.5
	Size Std.	11.5	8.0	9.5	6.0	6.0			
238160 Roofing Contractors	Factor	1.7	35.2	0.6	4.4	0.694	12.0	10.0	16.5
	Size Std.	11.5	8.5	9.0	6.0	9.5	16.5		
238170 Siding Contractors	Factor	0.7	10.5	0.2	3.1	0.655		7.0	16.5
	Size Std.	7.5	7.5	7.5	6.0	6.0			
238190 Other Foundation, Structure, and Building Exterior Contractors.	Factor	1.6	34.7	0.5	9.9	0.732	−10.2	13.0	16.5
	Size Std.	11.0	8.5	9.0	9.5	16.5	20.0		
238210 Electrical Contractors and Other Wiring Installation Contractors.	Factor	2.0	164.4	0.7	5.1	0.767	−1.7	13.5	16.5
	Size Std.	12.5	13.0	10.0	6.0	22.5	16.5		
238220 Plumbing, Heating, and Air-Conditioning Contractors.	Factor	1.7	123.8	0.5	4.1	0.737	24.0	12.0	16.5
	Size Std.	11.5	11.5	9.0	6.0	17.5	16.5		
238290 Other Building Equipment Contractors.	Factor	4.4	453.7	1.5	24.7	0.775	22.5	19.5	16.5
	Size Std.	22.5	22.5	14.0	21.0	24.0	16.5		
238310 Drywall and Insulation Contractors.	Factor	1.7	59.3	0.5	6.0	0.746		11.5	16.5
	Size Std.	11.5	9.5	9.0	6.5	19.0			
238320 Painting and Wall Covering Contractors.	Factor	0.6	60.6	0.2	6.9	0.697	0.4	10.0	16.5
	Size Std.	7.0	9.5	7.0	7.0	10.0	16.5		
238330 Flooring Contractors.	Factor	0.9	22.4	0.3	5.0	0.718	12.3	10.5	16.5
	Size Std.	8.5	8.0	7.5	6.0	14.0	16.5		
238340 Tile and Terrazzo Contractors.	Factor	0.7	10.4	0.3	3.4	0.695		7.5	16.5
	Size Std.	7.5	7.5	7.5	6.0	9.5			
238350 Finish Carpentry Contractors.	Factor	0.7	15.1	0.2	2.2	0.686		7.5	16.5
	Size Std.	7.5	8.0	7.0	6.0	8.0			
238390 Other Building Finishing Contractors.	Factor	1.4	18.1	0.5	5.1	0.705	−13.9	11.0	16.5
	Size Std.	10.5	8.0	8.5	6.0	11.5	20.0		
238910 Site Preparation Contractors.	Factor	2.0	39.3	0.9	2.1	0.733	19.4	12.0	16.5
	Size Std.	12.5	8.5	11.0	6.0	16.5	16.5		
238990 All Other Specialty Trade Contractors.	Factor	1.4	113.9	0.5	7.8	0.703	−24.4	11.5	16.5
	Size Std.	10.0	11.0	9.0	8.0	11.0	20.0		

Methodology for Agricultural Size Standards

Forty-six industries in Subsectors 111 and 112 currently have the same $1 million receipts-based size standard. These industries previously had a $750,000 receipts-based size standard, which was established directly by Congress in section 806 of the Small Business Reauthorization Act of 2000, Appendix I, Public Law 106–554, 114 Stat. 2763, December 21, 2000). Effective August 19, 2019, that size standard was raised to $1 million by the interim final rule adjusting all monetary size standards for inflation (published in the **Federal Register** on July 18, 2019, (84 FR 34261)). NDAA 2017 directed SBA to establish the size standards for those industries in the same manner that the Agency establishes the size standards for other industries and to include them in the 5-year rolling review under the Jobs Act. Accordingly, in this proposed rule, SBA has evaluated those industries using the same industry and Federal contracting factors that it uses in evaluating characteristics of all other industries and their size standards. However, the industry data from the 2012 Agricultural Census tabulation reveals that firms in agricultural industries are much smaller than those in all other industries with receipts-based size standards. Therefore, as stated earlier, based on the data, SBA has established $1 million and $5 million as the minimum and maximum receipts-based size standard levels, respectively, for agricultural industries, as opposed to $6 million as the minimum and $41.5 million as the maximum receipts-based size standard levels for all other industries. Similarly, SBA rounds a calculated receipts-based size standard for agricultural industries to the nearest $250,000 instead of rounding it to the nearest $500,000 as for other industries.

Of the 46 NAICS 6-digit industries in Subsectors 111 and 112, the special tabulation of the 2012 Census of Agriculture provided data for 36 industries at the NAICS 6-digit level. Of the remaining ten (10), seven (7) were aggregated at three different 5-digit NAICS levels and three (3) were aggregated at one 4-digit NAICS level. SBA ranked these 40 industry categories (*i.e.,* thirty-six (36) 6-digit, three (3) 3-digit, and one (1) 4-digit) in terms of each industry factor and obtained the 20th percentile an 80th percentile values for each factor. However, since all those industries currently have the same $1 million size standard, SBA cannot compute the 20th percentile and 80th percentile values from existing size standards as for other industries. Given the $1 million minimum and $5 million maximum size standard levels and calculated size standards being rounded to the nearest $250,000, SBA derived all possible size standards levels (*e.g.,* $1 million, $1.25 million, $1.5 million . . . $4.75 million, and $5 million). Based on these levels, SBA computed $1.75 million as the 20th percentile and $4.25 million as 80th percentile values of size standards for agricultural industries. Combining these results with the 20th percentile and 80th percentile values of industry factors, SBA computed a size standard for each factor for each industry. These results are provided in Table 4, above.

For the 10 industries for which the data did not exist at the 6-digit NAICS level, SBA estimated the size standard at the 5- or 4-digit NAICS level at which the data were available and applied the same results to the relevant 6-digit NAICS levels. These results are shown, below, in Table 5, Calculated Agricultural Size Standards at the 4- or 5-Digit NAICS Level Matched to the 6-Digit Level.

TABLE 5—CALCULATED AGRICULTURAL SIZE STANDARDS AT THE 4- OR 5-DIGIT NAICS LEVEL MATCHED TO THE 6-DIGIT LEVEL

4- or 5-digit NAICS code/title	Calculated size standard ($ million) (see Table 4)	6-digit NAICS code/title	Calculated size standard ($ million)
11119 Other Grain Farming	$2.0	111191 Oilseed and Grain Combination Farming	$2.0
		111199 All Other Grain Farming	2.0
11141 Food Crops Grown Under Cover	4.0	111411 Mushroom Production	4.0
		111419 Other Food Crops Grown Under Cover	4.0
11199 All Other Crop Farming	2.25	111991 Sugar Beet Farming	2.25
		111992 Peanut Farming	2.25
		111998 All Other Miscellaneous Crop Farming	2.25
1125 Aquaculture	3.25	112511 Finfish Farming and Fish Hatcheries	3.25
		112512 Shellfish Farming	3.25
		112519 Other Aquaculture	3.25

Evaluation of Size Standards for Subindustry Categories or ''Exceptions''

In accordance with SBA's approach to evaluating size standards for subindustry categories (or ''exceptions''), SBA has evaluated the three (3) exceptions covered by this rule using the procedures described in the revised SBA's Methodology. The results of that analysis are discussed in the following two subsections.

Forest Fire Suppression and Fuel Management Services

Forest Fire Suppression and Fuels Management Services are subindustry categories or exceptions under NAICS 115310 (Support Activities for Forestry) with the current size standard of $20.5 million in average annual receipts. In 2003, SBA established a different size standard for these subindustry activities (68 FR 33348 (June 4, 2003)). In 2013, as part of the first 5-year review of size standards under the Jobs Act, SBA initially maintained $17.5 million as the size standard for these exceptions (78 FR 37398 (June 20, 2013)), and subsequently, as part of the adjustment to monetary-based size standards for inflation, the Agency increased the size standard from $17.5 million to $19 million (79 FR 33647 (June 12, 2014)), and in the fiscal year 2019 the size standard was adjusted from $19 million to $20.5 million (84 FR 34261 (July 18, 2019)).

The data from the Census Bureau's and NASS' special tabulations are limited to the 6-digit NAICS industry level, and hence, do not provide separate data to evaluate a size standard at the subindustry level. As such, SBA relied upon data from other sources to evaluate the current $20.5 million size standard for both exceptions.

Firms engaged in the Forest Fire Suppression and Fuels Management Services subindustries were identified from the contracting data reported in FPDS–NG during fiscal years 2016–2018. Specifically, the contracts under Forest Fire Suppression and Fuels Management Services exceptions can be identified as those classified within NAICS 115310 under the Product Service Code (PSC) F003 (Natural Resources/Conservation—Forest-Range Fire Suppression/Presuppression). SBA also evaluated the contract data from the USDA Forest Service National Interagency Fire Center (*https://www.fs.fed.us/managing-land/fire* and *http://www.fs.fed.us/business/incident/vipr.php*). SBA also evaluated the description of requirements of the contracts for Forest Fire Suppression and Fuels Management Services in FPDS–NG to identify principal activities related to forest fire suppression and fuel management services and to differentiate them from other support activities for forestry. SBA identified activities associated with specialized crews, equipment and engines with trained personnel that are critical to perform the tasks of suppressing or managing fires as principal activities and other activities, such as leases of equipment, machinery and transportation vehicles, or provision of services that do not require specialized personnel or training as supporting activities. Since most firms involved in Fire Suppression Services were also found to be involved in Fuels Management Services and vice versa, SBA analyzed the two as one subindustry category.

Finally, SBA obtained receipts and employment data for the fiscal years 2016–2018 from FPDS–NG and from the System for Award Management (SAM) to develop industry and Federal contracting factors for evaluating the size standard for the two exceptions. SBA chose firms with receipts greater than zero and less than $1 billion. Firms with receipts greater than $1 billion are outliers and their revenues would skew the data. Similarly, firms with receipts at or below zero have insignificant contributions to total Federal contract dollars obligated to the industry. Table 4, above, shows the results from the analysis of these subindustries, which supported a $23.5 million size standard as compared to the current $20.5 million. Given the inherent uncertainty of occurrences of forest fires and recent surges in forest fire incidents and extended fire seasons, SBA believes that contracting officers need to have flexibility to be able to hire enough small businesses, especially in the worst-case scenario. SBA estimates that in a very busy season, it is not implausible to assume 120 days of 14 hours shifts. Assuming an average price of $43 dollars per person per hour, a total amount of about $6 million could be awarded to a firm with an average number of 4 crews. In the case of firms with 15 crews, the amount could reach $22.0 million. Both numbers include only payments to firefighters for direct fire suppression activities; in other words, here we did not consider in the analysis additional payments, such as payments for fire engines, water tenders, etc. With this reality in mind, SBA proposes to increase the size standard for the Forest Fire Suppression and Fuels Management Services exceptions to $25 million, above the current size standard of $20.5 million and the calculated size standard of $23.5 million and seeks comments on this proposal.

Dredging and Surface Cleanup Activities

The Dredging and Surface Cleanup Activities (Dredging) size standard is an exception established by SBA within the 6-digit NAICS code 237990 (Other Heavy and Civil Engineering Construction). As stated previously, the data from the Census Bureau's special tabulation of the Economic Census is limited to the 6-digit NAICS industry level, and hence, does not provide separate data at the subindustry level to evaluate exceptions. Accordingly, SBA relied upon the data from other sources to evaluate the current $30.0 million size standard for Dredging.

SBA identified firms engaged in the Dredging subindustry using the contract awards data within NAICS 237990 in FPDS–NG for fiscal years 2016–2018. Specifically, dredging contracts were identified as those classified under one of the following Product Service Codes (PSCs): C1KF—Architect and Engineering Construction—Dredging Facilities; M1KF—Operation of Dredging Facilities; X1KF—Lease/Rental of Dredging Facilities; Y1KF—Construction of Dredging Facilities; Z1KF—Maintenance of Dredging Facilities; Z2KF—Repair or alternation of Dredging Facilities; and 1955—Dredges. SBA obtained receipts and employment data for the identified Dredging firms from the System for Award Management (SAM) and FPDS–NG to develop industry and Federal contracting factors for Dredging. SBA excluded from the analysis firms for which Dredging Federal contracts dollars accounted for a very small percentage of their average annual receipts. SBA also excluded from the analysis contracts awarded under PSCs C1KF and X1KF and firms receiving such contracts as contract dollars under those PSCs were very small. After these exclusions, SBA evaluated the data for a total of 100 Dredging firms that have received Federal contracts under NAICS 237990 and the above PSCs during fiscal years 2016–2018.

SBA also looked at the Dredging contracting information from the US Army Corps of Engineers' Navigation and Civil Works Decision Support Center (NDC) (*https://www.iwr.usace.army.mil/About/Technical-Centers/NDC-Navigation-and-Civil-Works-Decision-Support/*), as well as the annual reports from Dredging Contractors of America (DCA) (*www.dredgingcontractors.org*). However, those sources do not provide information on business size and seem to include a smaller number of dredging firms as compared to the number of Dredging firms found in FPDS–NG. SBA's analysis included a vast majority of all firms found in the NDC and DCA reports, except a few that received contracts in industries other than NAICS 237990 or in PSCs other than those described above.

Table 4, above, shows the results from the analysis of the Dredging subindustry that support raising the current $30.0 million size standard for the Dredging exception to $33.0 million. As also shown in Table 4, the results for overall NAICS 237990 yields a smaller calculated size standard of $29.5 million as compared to the current standard of $39.5 million. Thus, the analytical results from the latest available industry and Federal contracting data seem to suggest that a separate size standard is still warranted for Dredging. Historically, the Dredging exception size standard has been lower than the overall NAICS 237990 size standard, but the latest results suggest otherwise. As such, in this proposed rule, SBA is proposing to retain current size standard for the overall NAICS 237990 and increase the size standard of the Dredging subindustry to $33.0 million and seeking comment on the proposal. Additionally, SBA is seeking comments on whether Dredging and Surface Cleanup Activities should continue to be treated as an exception or on whether it should be eliminated and subject to the same overall NAICS 237990 size standard.

Summary of Calculated Size Standards

Of the one hundred (100) industries and three (3) subindustries (exceptions) reviewed in this proposed rule, the results from analyses of the latest available data on the five primary factors from Table 4, Size Standards Supported by Each Factor for Each Industry (millions of dollars), above, would support increasing size standards for sixty-five (65) industries and three (3) subindustries, and decreasing size standards for thirty-five (35) industries. Table 6, Summary of Calculated Size Standards, summarizes these results by NAICS sector.

TABLE 6—SUMMARY OF CALCULATED SIZE STANDARDS

NAICS sector	Sector name	Number of size standards reviewed	Number of size standards increased	Number of size standards decreased	Number of size standards unchanged
11	Agriculture, Forestry, Fishing and Hunting	64	60	4	0
21	Mining, Quarrying, and Oil and Gas Extraction	4	3	1	0
22	Utilities	3	3	0	0
23	Construction	32	2	30	0
All Sectors		103	68	35	0

Evaluation of SBA Loan Data

Before proposing or deciding on an industry's size standard revision, SBA also considers the impact of size standards revisions on SBA's loan programs. Accordingly, SBA examined its internal 7(a) and 504 loan data for fiscal years 2016–2018 to assess whether the calculated size standards in Table 4 (above) need further adjustments to ensure credit opportunities for small businesses through those programs. For the industries reviewed in this rule, the data shows that it is mostly businesses much smaller than the current or proposed size standards that receive SBA's 7(a) and 504 loans. For example, for industries covered by this rule, more than 95.6 percent of 7(a) and 504 loans in fiscal years 2016–2018 went to businesses below the current or proposed size standards.

Proposed Changes to Size Standards

Based on the analytical results in Table 4 and considerations of impacts of calculated size standards in terms of access by currently small businesses to SBA's loans, as discussed above, of a total of one hundred three (103) industries or subindustries (exceptions) with receipts-based size standards in Sectors 11, 21, 22 and 23 that are covered by this rule, and considering the current situation due to the COVID–19 related national emergency and its impacts on small businesses and the overall economy, SBA proposes to increase size standards for 68 industries or subindustries, and retain the current size standards for the remaining 35 industries.

Special Considerations

On March 13, 2020, the ongoing Coronavirus Disease 2019 (COVID–19) was declared a pandemic of enough severity and magnitude to warrant an emergency declaration for all states, territories, and the District of Columbia. With the COVID–19 emergency, many small businesses nationwide are experiencing economic hardship as a direct result of the Federal, State, and local public health measures that are being taken to minimize the public's exposure to the virus. These measures, some of which are government-mandated, are being implemented nationwide and include the closures of restaurants, bars, and gyms. In addition, based on the advice of public health officials, other measures, such as keeping a safe distance from others or even stay-at-home orders, are being implemented, resulting in a dramatic decrease in economic activity as the public avoids malls, retail stores, and other businesses.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) (Pub. L. 116–136) was signed on March 27, 2020, to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. Section 1102 of the Act temporarily permits SBA to guarantee 100 percent of 7(a) loans under a new program titled the Paycheck Protection Program (PPP). Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses nationwide adversely impacted under the COVID–19. On April 24, 2020, additional funding for the CARES Act, including for the PPP, was provided.

The Agency is following closely the development of the pandemic and the economic situation and recovery. The consequence of the initial response of the public to the COVID–19 pandemic as well as the different measures taken by the Government to contain it (*e.g.* stay at home orders, social distancing, etc.) have resulted in the present economic decline. A variety of economic indicators such as the Gross Domestic Product (GDP) and the unemployment rate shows that this recession is significantly worse than any other recession since World War II. The GDP decreased nearly 5 percent, and the Personal consumption in goods and services decreased 6.8 percent in the first quarter of 2020; in May 2020, personal income decreased 4.2 percent and the unemployment rate increased from 3.5 percent in February 2020 to 11.1 percent in June 2020, and, also for the month of June 2020, Non-farm payroll decreased by 15 million since February 2020. Specifically for the sectors evaluated in this proposed rule, more recent data in June 2020 shows that the unemployment rate for Agriculture and related private wage and salary workers was 5.4 percent, but the sector of Mining, quarrying, and oil and gas extraction shows an unemployment rate of 17.8 percent and the construction sector, 10.1 percent. In June 2019, the unemployment rates for these sectors were 5.9, 3.2 and 4 percent, respectively. The latest Federal Reserve Board's Monetary Policy Report shows that in general the most impacted firms in these sectors are small businesses.[1]

Accordingly, in view of above impacts on small businesses from the COVID–19 pandemic and Federal government efforts to provide relief to small businesses and support to the overall economy, SBA proposes to adopt increases to size standards for 68 industries and retain the current size standards for 35 industries for which analytical results suggested their size standards could be lowered.

The proposed size standards are presented in Table 7, Proposed Size Standards Revisions. Also presented in Table 7 are current and calculated size standards for comparison.

TABLE 7—PROPOSED SIZE STANDARDS REVISIONS

NAICS code	NAICS industry title	Current size standard ($ million)	Calculated size standard ($ million)	Proposed size standard ($ million)
111110	Soybean Farming	$1.0	$2.0	$2.0
111120	Oilseed (except Soybean) Farming	1.0	2.0	2.0
111130	Dry Pea and Bean Farming	1.0	2.5	2.5
111140	Wheat Farming	1.0	2.0	2.0
111150	Corn Farming	1.0	2.25	2.25
111160	Rice Farming	1.0	2.25	2.25
111191	Oilseed and Grain Combination Farming	1.0	2.0	2.0
111199	All Other Grain Farming	1.0	2.0	2.0

[1] Board of Governors of the Federal Reserve System (June 2020), Monetary Policy Report, p. 24 (see *https://www.federalreserve.gov/monetarypolicy/files/20200612_mprfullreport.pdf*) and U.S. Census Bureau's Small Business Pulse Survey (*https://portal.census.gov/pulse/data).* The latest is a recent survey created by the Census Bureau to provide high-frequency, detailed information on participation in small business-specific initiatives such as the PPP.

TABLE 7—PROPOSED SIZE STANDARDS REVISIONS—Continued

NAICS code	NAICS industry title	Current size standard ($ million)	Calculated size standard ($ million)	Proposed size standard ($ million)
111211	Potato Farming	1.0	3.75	3.75
111219	Other Vegetable (except Potato) and Melon Farming	1.0	3.25	3.25
111310	Orange Groves	1.0	3.5	3.5
111320	Citrus (except Orange) Groves	1.0	3.75	3.75
111331	Apple Orchards	1.0	4.0	4.0
111332	Grape Vineyards	1.0	3.5	3.5
111333	Strawberry Farming	1.0	4.75	4.75
111334	Berry (except Strawberry) Farming	1.0	3.25	3.25
111335	Tree Nut Farming	1.0	3.25	3.25
111336	Fruit and Tree Nut Combination Farming	1.0	4.5	4.5
111339	Other Noncitrus Fruit Farming	1.0	3.0	3.0
111411	Mushroom Production	1.0	4.0	4.0
111419	Other Food Crops Grown Under Cover	1.0	4.0	4.0
111421	Nursery and Tree Production	1.0	2.75	2.75
111422	Floriculture Production	1.0	3.25	3.25
111910	Tobacco Farming	1.0	2.25	2.25
111920	Cotton Farming	1.0	2.75	2.75
111930	Sugarcane Farming	1.0	4.5	4.5
111940	Hay Farming	1.0	2.25	2.25
111991	Sugar Beet Farming	1.0	2.25	2.25
111992	Peanut Farming	1.0	2.25	2.25
111998	All Other Miscellaneous Crop Farming	1.0	2.25	2.25
112111	Beef Cattle Ranching and Farming	1.0	2.25	2.25
112112	Cattle Feedlots	8.0	19.5	19.5
112120	Dairy Cattle and Milk Production	1.0	3.25	3.25
112210	Hog and Pig Farming	1.0	3.5	3.5
112310	Chicken Egg Production	16.5	15.5	16.5
112320	Broilers and Other Meat Type Chicken Production	1.0	3.0	3.0
112330	Turkey Production	1.0	3.25	3.25
112340	Poultry Hatcheries	1.0	3.5	3.5
112390	Other Poultry Production	1.0	3.25	3.25
112410	Sheep Farming	1.0	3.0	3.0
112420	Goat Farming	1.0	2.25	2.25
112511	Finfish Farming and Fish Hatcheries	1.0	3.25	3.25
112512	Shellfish Farming	1.0	3.25	3.25
112519	Other Aquaculture	1.0	3.25	3.25
112910	Apiculture	1.0	2.75	2.75
112920	Horses and Other Equine Production	1.0	2.5	2.5
112930	Fur-Bearing Animal and Rabbit Production	1.0	3.25	3.25
112990	All Other Animal Production	1.0	2.5	2.5
113110	Timber Tract Operations	12.0	16.5	16.5
113210	Forest Nurseries and Gathering of Forest Products	12.0	18.0	18.0
114111	Finfish Fishing	22.0	20.5	22.0
114112	Shellfish Fishing	6.0	12.5	12.5
114119	Other Marine Fishing	8.0	10.0	10.0
114210	Hunting and Trapping	6.0	7.5	7.5
115111	Cotton Ginning	12.0	14.0	14.0
115112	Soil Preparation, Planting, and Cultivating	8.0	8.5	8.5
115113	Crop Harvesting, Primarily by Machine	8.0	12.0	12.0
115114	Postharvest Crop Activities (except Cotton Ginning)	30.0	27.5	30.0
115115	Farm Labor Contractors and Crew Leaders	16.50	12.5	16.5
115116	Farm Management Services	8.0	13.5	13.5
115210	Support Activities for Animal Production	8.0	9.5	9.5
115310	Support Activities for Forestry	8.0	10.0	10.0
Except	Fire Suppression Services	20.5	23.5	25.0
Except	Fuels Management Services	20.5	23.5	25.0
213112	Support Activities for Oil and Gas Operations	41.5	38.0	41.5
213113	Support Activities for Coal Mining	22.0	24.0	24.0
213114	Support Activities for Metal Mining	22.0	36.0	36.0
213115	Support Activities for Nonmetallic Minerals (except Fuels) Mining	8.0	18.0	18.0
221310	Water Supply and Irrigation Systems	30.0	36.0	36.0
221320	Sewage Treatment Facilities	22.0	31.0	31.0
221330	Steam and Air-Conditioning Supply	16.5	26.5	26.5
236115	New Single-Family Housing Construction (except For-Sale Builders)	39.5	8.0	39.5
236116	New Multifamily Housing Construction (except For-Sale Builders)	39.5	25.5	39.5
236117	New Housing For-Sale Builders	39.5	27.5	39.5
236118	Residential Remodelers	39.5	13.5	39.5
236210	Industrial Building Construction	39.5	29.0	39.5
236220	Commercial and Institutional Building Construction	39.5	25.5	39.5

TABLE 7—PROPOSED SIZE STANDARDS REVISIONS—Continued

NAICS code	NAICS industry title	Current size standard ($ million)	Calculated size standard ($ million)	Proposed size standard ($ million)
237110	Water and Sewer Line and Related Structures Construction	39.5	20.0	39.5
237120	Oil and Gas Pipeline and Related Structures Construction	39.5	33.0	39.5
237130	Power and Communication Line and Related Structures Construction	39.5	31.0	39.5
237210	Land Subdivision	30.0	22.0	30.0
237310	Highway, Street, and Bridge Construction	39.5	28.5	39.5
237990	Other Heavy and Civil Engineering Construction	39.5	29.5	39.5
Except	Dredging and Surface Clean-Up Activities	30.0	32.5	32.5
238110	Poured Concrete Foundation and Structure Contractors	16.5	12.5	16.5
238120	Structural Steel and Precast Concrete Contractors	16.5	13.0	16.5
238130	Framing Contractors	16.5	8.5	16.5
238140	Masonry Contractors	16.5	10.5	16.5
238150	Glass and Glazing Contractors	16.5	8.0	16.5
238160	Roofing Contractors	16.5	10.0	16.5
238170	Siding Contractors	16.5	7.0	16.5
238190	Other Foundation, Structure, and Building Exterior Contractors	16.5	13.0	16.5
238210	Electrical Contractors and Other Wiring Installation Contractors	16.5	13.5	16.5
238220	Plumbing, Heating, and Air-Conditioning Contractors	16.5	12.0	16.5
238290	Other Building Equipment Contractors	16.5	19.5	19.5
238310	Drywall and Insulation Contractors	16.5	11.5	16.5
238320	Painting and Wall Covering Contractors	16.5	10.0	16.5
238330	Flooring Contractors	16.5	10.5	16.5
238340	Tile and Terrazzo Contractors	16.5	7.5	16.5
238350	Finish Carpentry Contractors	16.5	7.5	16.5
238390	Other Building Finishing Contractors	16.5	11.0	16.5
238910	Site Preparation Contractors	16.5	12.0	16.5
238990	All Other Specialty Trade Contractors	16.5	11.5	16.5

Table 8, Summary of Proposed Size Standards Revisions by Sector, below, summarizes the proposed changes to size standards by NAICS sector.

TABLE 8—SUMMARY OF PROPOSED SIZE STANDARDS REVISIONS BY SECTOR

NAICS Sector	Sector name	Size standards increased	Size standards lowered	Size standards maintained
11	Agriculture, Forestry, Fishing and Hunting	60	0	4
21	Mining, Quarrying, and Oil and Gas Extraction	3	0	1
22	Utilities	3	0	0
23	Construction	2	0	30
All Sectors		68	0	35

Evaluation of Dominance in Field of Operation

SBA has determined that for the industries which it has evaluated in this proposed rule, no individual firm at or below the proposed size standard would be large enough to dominate its field of operation. At the proposed size standards levels, if adopted, the small business share of total industry receipts among those industries would be, on average, 1.1 percent, varying from 0.003 percent to 30.5 percent. These market shares effectively preclude a firm at or below the proposed size standards from exerting control on any of the industries.

Alternatives Considered

By law, SBA is required to develop numerical size standards for establishing eligibility for Federal small business assistance programs and to review every five years all size standards and make necessary adjustments to reflect the current industry structure and Federal market conditions. Other than varying the levels of size standards by industry and changing the measures of size standards (*e.g.,* using annual receipts vs. the number of employees), no practical alternatives exist to the systems of numerical size standards.

The proposal is to increase size standards where the data suggested increases are warranted, and to retain, in response to COVID–19 emergency and resultant economic impacts on small businesses, all current size standards where the data suggested lowering is appropriate.

Nonetheless, SBA considered two other alternatives. Alternative option one was to propose changes exactly as suggested by the analytical results. Alternative option two was to retain all current size standards.

Alternative option one would cause a substantial number of currently small businesses to lose their small business status and hence to lose their access to Federal small business assistance, especially small business set-aside contracts and SBA's financial assistance in some cases. During the first 5-year review of size standards, some commenters had expressed concerns about SBA's policy of not lowering size standards based on the analytical results.

As part of option one, SBA also considered increasing 68 size standards as suggested by the analytical results and mitigating the impact of the decreases to size standards by adjusting the calculated sizes considering the impact on small business access to Federal contracting and loans. However, in the present situation with the global COVID–19 pandemic resulting in high levels of risk and dramatic reductions in economic activity of unprecedented nature, SBA presents the impacts of adopting the analytical results without adjustment in alternative option one and proposes to retain all size standards for which the evaluation of principal factors suggested reductions, and to adopt only the increases suggested by the evaluation. SBA will adopt this approach temporarily and may reevaluate this approach as the economic situation evolves.

Under option two, given the current COVID–19 Pandemic, SBA considered retaining the current level of all size standards even though the current analysis may suggest changing them. SBA considers that the option of retaining all size standards at this moment provides the opportunity to reassess the economic situation once the economic recovery starts. Under this option, as the current situation develops, SBA will be able to assess new data available on economic indicators, federal procurement, and SBA loans as well, before adopting changes to size standards. However, SBA is not adopting option two because the Regulatory Impact Analysis shows that retaining all size standards at their current levels is more onerous for the small businesses than the option of adopting 68 increases and retaining 35 size standards. Additionally, SBA regards size standards evaluation of 46 agricultural industries for the first time as one of the most important contributions of our current comprehensive size standards review, and postponing the adoption of the calculated size standards should be detrimental for the small businesses within those industries. Finally, given the inherent uncertainty of occurrences of fires, the recent surges in forest fire incidents and the extended fire seasons, SBA believes that not proposing the increases in size standards for the NAICS 115310 in general and its two exceptions will adversely affect the availability of small businesses for these tasks, especially in the worst-case scenarios. SBA may reevaluate this approach as the current economic situation evolves.

Request for Comments

SBA invites public comments on this proposed rule, especially on the following issues:

1. SBA seeks feedback on whether SBA's proposal to increase 68 size standards and retain 35 size standards is appropriate given the results from the latest available industry and Federal contracting data of each industry and subindustry (exception) reviewed in this proposed rule, along with ongoing uncertainty and dramatic contraction in economic activity due to the global COVID–19 pandemic. SBA also seeks suggestions, along with supporting facts and analysis, for alternative standards, if they would be more appropriate than the proposed size standards.

2. SBA also seeks comments on whether SBA should not lower any size standards in view of COVID–19 pandemic and its adverse impacts on small businesses as well as on the overall economic situation when analytical results suggest some size standards could be lowered. SBA believes that lowering size standards under the current economic environment would run counter to what Congress and the Federal government are doing to aid and provide relief to the nation's small businesses impacted by the COVID–19 pandemic.

3. Given the uncertainty produced by the global COVID–19 pandemic and the economic consequences, SBA would like to receive comments from the public on the possibility of lowering size standards while mitigating the consequences of the lower standards, instead of not lowering any size standards.

4. In accordance with NDAA 2017, in this proposed rule, SBA has evaluated 46 agricultural industries for which the size standards were previously established directly by Congress and proposed a new size standard for each of those industries. SBA seeks comments on the methodology and data sources it used to develop such proposed standards as well as on the appropriateness of the proposed size standards levels.

5. In calculating the overall industry size standard, SBA has assigned equal weight to each of the five primary factors in all industries and subindustries covered by this proposed rule. SBA seeks feedback on whether it should assign equal weight to each factor or on whether it should give more weight to one or more factors for certain industries or subindustries. Recommendations to weigh some factors differently than others should include suggested weights for each factor along with supporting facts and analysis.

6. For evaluating the size standards for the Forest Fire Suppression and Fuel Management Services subindustries (''exceptions'') within NAICS 115310, SBA used PSC F003 (Forest/Range Fire Suppression/Presuppression Services) within NAICS 115310 in FPDS–NG to identify firms engaged in the Forest Fire Suppression and Fuel Management Services exceptions during fiscal years 2016–2018. Using the receipts and employment data for those firms, SBA analyzed the industry and Federal contracting factors for these subindustries. SBA seeks suggestions or comments on data sources it used and its proposal to increase the current $20.5 million size standard for both exceptions to $25 million even if the analysis supported an increase to $23.5 million. SBA is also interested in comments on the possible elimination of the Forest Fire Suppression and Fuel Management Services as ''exceptions'' to NAICS 115310, and the application of the same general size standard for NAICS 115310. Comments on applying the same NAICS 115310 size standard for Forest Fire Suppression and Fuel management Services should address why the same size standard is more suitable than separate size standards for Forest Fire Suppression and Fuel Management Services or why firms engaged in Forest Fire Suppression and Fuel Management Services should continue to be treated as separate activities from the rest of NAICS 115310 for SBA's size standards purposes.

7. For evaluating the size standard for the Dredging and Surface Cleanup Activities (Dredging), a subindustry (''exception'') category within NAICS code 237990, SBA used relevant PSCs within NAICS code 237990 to identify Dredging contracts in FPDS–NG and firms receiving such contracts during fiscal years 2016–2018. Using the receipts and employment data for those firms from FPDS–NG, SBA analyzed the industry and Federal contracting factor for this subindustry. SBA seeks suggestions or comments on the use of the data sources and the proposed size standard. SBA is also interested in comments on the elimination of the subindustry category for Dredging, and the application of the same size standard as for overall NAICS 237990. Comments on applying the same NAICS 237990 size standard for Dredging should address the basis for why that industry size standard is more suitable than a specific dredging subindustry size standard or why dredging firms

should continue to be evaluated as a discrete subindustry for SBA's size standards purposes.

8. In addition to comments on its proposal to increase the size standard for the Dredging exception from the current $30.0 million to $33.0 million, SBA also seeks comments regarding the requirement for a dredging concern to qualify as small on a Federal procurement that it or its similarly situated subcontractors must perform at least 40 percent of the volume dredged with its own equipment or equipment owned by another small dredging concern (*see* Footnote 2 in 13 CFR 121.201). This requirement has been in SBA's small business size regulations since 1974 (see 30 FR 24669, July 5, 1974 and 39 FR 31302, August 28, 1974) and was interpreted by SBA's Office of Hearings and Appeals to encompass subcontractors in *Size Appeal of U.S. Army Corps of Engineers,* SBA No. SIZ–5915 (2018). This proposed rule retains the requirement set forth in Footnote 2 in order to ensure that small Dredging firms or their similarly situated subcontractors perform a significant and meaningful portion of a Dredging project set aside for small business. However, SBA requests comments as to whether that footnote is still necessary. Comments pertaining to this requirement should address: (1) Whether there continues to be a need to retain the current 40 percent equipment requirement under current industry practices; (2) whether the 40 percent equipment requirement should be revised, and if so, the rationale for an alternative percentage; and (3) whether a different and more verifiable requirement based on an alternative measure (such as value of contract or personnel involved) may achieve the same objective of ensuring that small businesses perform significant and meaningful work on dredging contracts set aside for small businesses.

9. Finally, SBA seeks comments on data sources it used to examine industry and Federal market conditions, as well as suggestions on relevant alternative data sources that the Agency should evaluate in reviewing or modifying size standards for industries covered by this proposed rule.

Public comments on the above issues are very valuable to SBA for validating its proposed size standards revisions in this proposed rule. Commenters addressing size standards for a specific industry or a group of industries should include relevant data and/or other information supporting their comments. If comments relate to the application of size standards for Federal procurement programs, SBA suggests that commenters provide information on the size of contracts in their industries, the size of businesses that can undertake the contracts, start-up costs, equipment and other asset requirements, the amount of subcontracting, other direct and indirect costs associated with the contracts, the use of mandatory sources of supply for products and services, and the degree to which contractors can mark up those costs.

Compliance With Executive Orders 12866 and 13771, the Regulatory Flexibility Act (5 U.S.C. 601–612), Executive Orders 13563, 12988, and 13132, and the Paperwork Reduction Act (44 U.S.C. Ch. 35)

Executive Order 12866

The Office of Management and Budget (OMB) has determined that this proposed rule is a significant regulatory action for purposes of Executive Order 12866. Accordingly, in the next section SBA provides a Regulatory Impact Analysis of this proposed rule, including: (1) A statement of the need for the proposed action, (2) an examination of alternative approaches, and (3) an evaluation of the benefits and costs—both quantitative and qualitative—of the proposed action and the alternatives considered. However, this rule is not a "major rule" under the Congressional Review Act, 5 U.S.C. 800.

Regulatory Impact Analysis

1. What is a need for this regulatory action?

Under the Small Business Act (Act) (15 U.S.C. 632(a)), SBA's Administrator is responsible for establishing small business size definitions (or "size standards") and ensuring that such definitions vary from industry to industry to reflect differences among various industries. The Jobs Act requires SBA to review every five years all size standards and make necessary adjustments to reflect current industry and Federal market conditions. This proposed rule is part of the second 5-year review of size standards in accordance with the Jobs Act. The first 5-year review of size standards was completed in early 2016. Such periodic reviews of size standards provide SBA with an opportunity to incorporate ongoing changes to industry structure and Federal market environment into size standards and to evaluate the impacts of prior revisions to size standards on small businesses. This also provides SBA with an opportunity to seek and incorporate public input to the size standards review and analysis. SBA believes that proposed size standards revisions for industries being reviewed in this rule will make size standards more reflective of the current economic characteristics of businesses in those industries and the latest trends in Federal marketplace.

SBA's mission is to aid and assist small businesses through a variety of financial, procurement, business development and counseling, and disaster assistance programs. To determine the actual intended beneficiaries of these programs, SBA establishes numerical size standards by industry to identify businesses that are deemed small.

The proposed revisions to the existing size standards for 103 industries in NAICS Sectors 11, 21, 22 and 23 are consistent with SBA's statutory mandates to help small businesses grow and create jobs and to review and adjust size standards every five years. This regulatory action promotes the Administration's goals and objectives as well as meets the SBA's statutory responsibility. One of SBA's goals in support of promoting the Administration's objectives is to help small businesses succeed through fair and equitable access to capital and credit, Federal Government contracts and purchases, and management and technical assistance. Reviewing and modifying size standards, when appropriate, ensures that intended beneficiaries are able to access Federal small business programs that are designed to assist them to become competitive and create jobs.

2. What are the potential benefits and costs of this regulatory action?

OMB directs agencies to establish an appropriate baseline to evaluate any benefits, costs, or transfer impacts of regulatory actions and alternative approaches considered. The baseline should represent the agency's best assessment of what the world would look like absent the regulatory action. For a new regulatory action promulgating modifications to an existing regulation (such as modifying the existing size standards), a baseline assuming no change to the regulation (*i.e.,* making no changes to current size standards) generally provides an appropriate benchmark for evaluating benefits, costs, or transfer impacts of proposed regulatory changes and their alternatives.

Proposed Changes to Size Standards

Based on the results from analysis of latest industry and Federal contracting data, as well as consideration of impact of size standards changes on small businesses and significant adverse impacts of the COVID–19 emergency on small businesses and the overall economic activity, of the total of 103 industries in Sectors 11, 21, 22 and 23 that have receipts-based size standards, SBA proposes to increase size standards for 68 industries (including exceptions), and maintain current size standards for the remaining 35 industries.

The Baseline

For purposes of this regulatory action, the baseline represents maintaining the "status quo," *i.e.,* making no changes to the current size standards. Using the number of small businesses and levels of benefits (such as set-aside contracts, SBA's loans, disaster assistance, etc.) they receive under the current size standards as a baseline, one can examine the potential benefits, costs and transfer impacts of proposed changes to size standards on small businesses and on the overall economy.

Based on the 2012 Economic Census (the latest available), of a total of about 2.7 million businesses in industries in Sectors 11, 21, 22, and 23 for which SBA proposes to increase their receipts-based size standards, 96.9 percent are considered small under the current size standards. That percentage varies from 95.5 percent in Sector 21 to 98.5 percent in Sector 23. Based on the data from FPDS–NG for fiscal years 2016–2018, about 17,300 unique firms in those industries received at least one Federal contract during that period, of which 86.4 percent were small under the current size standards. A total of $30.2 billion in average annual contract dollars were awarded to businesses in those industries during the period of evaluation, and 51.2 percent of the dollars awarded went to small businesses. For these sectors, providing contract dollars to small business through set asides is quite important. From the total small business contract dollars awarded during the period considered, 83.4 percent were awarded through various small business set-aside programs and 16.6 percent were awarded through non-set aside contracts. Based on the SBA's internal data on its loan programs for fiscal years 2016–2018, small businesses in those industries received, on an annual basis, a total of nearly 8,300 7(a) and 504 loans in that period, totaling about $2.4 billion, of which 89 percent was issued through the 7(a) program and 11 percent was issued through the 504/CDC program. During fiscal years 2016–2018, small businesses in those industries also received 318 loans through the SBA's Economic Injury Disaster Loan (EIDL) program, totaling about $25.0 million on an annual basis. Table 9, Baseline for All Industries, below, provides these baseline results by sector.

TABLE 9—BASELINE FOR ALL INDUSTRIES

	Sector 11	Sector 21	Sector 22	Sector 23	Total
Baseline All Industries (current size standards)	64	4	3	32	103
Total firms (Economic Census)	2,122,631	8,196	3,673	587,173	2,721,673
Total small firms under current size standards (Economic Census)	2,046,316	7,828	3,586	578,430	2,636,160
Small firms as % of total firms	96.4	95.5	97.6	98.5	96.9
Total contract dollars ($ million) (FPDS–NG FY2016–2018)	$591.2	$90.0	$311.1	$29,178	$30,170.0
Total small business contract dollars under current standards ($ million) (FPDS–NG FY2016–2018)	$459.1	$31.3	$67.0	$14,879	$15,436.4
Small business dollars as % of total dollars (FPDS–NG FY2016–2018)	77.6	34.8	21.5	51.0	51.2
Total No. of unique firms getting contracts (FPDS–NG FY2016–2018)	3,557	298	624	13,290	17,300
Total No. of unique small firms getting small business contracts (FPDS–NG FY2016–2018)	3,174	221	488	11,422	14,933
Small business firms as % of total firms	89.2	74.2	78.2	85.9	86.4
No. of 7(a) and 504/CDC loans (FY2016–2018)	843	73	36	7,334	8,286
Amount of 7(a) and 504 loans ($ million) (FY2016–2018)	$620.7	$34.2	$6.5	$1,705.3	$2,366.7
No. of EIDL loans (FY2016–2018)	90	3	3	222	318
Amount of EIDL loans ($ million) (FY2016–2018)	$5.6	$0.6	$0.7	$18.0	$25.0

Increases to Size Standards

As stated above, of 103 receipts-based size standards in Sectors 11, 21, 22 and 23 that are reviewed in this rule, based on the results from analyses of latest industry and Federal market data as well as impacts of size standards changes on small businesses, SBA proposes to increase 68 size standards. Below are descriptions of the benefits, costs and transfer impacts of these proposed increases to size standards.

Benefits of Increases to Size Standards

The most significant benefit to businesses from proposed increases to size standards is gaining eligibility for Federal small business assistance programs or retaining that eligibility for a longer period. These include SBA's business loan programs, EIDL program, and Federal procurement programs intended for small businesses. Federal procurement programs provide targeted, set-aside opportunities for small businesses under SBA's various business development and contracting programs. These include the 8(a)/BD(business development) Program, the Small Disadvantaged Businesses (SDB) Program, the Historically Underutilized Business Zones (HUBZone) Program, the Women-Owned Small Businesses (WOSB) Program, the Economically Disadvantaged Women-Owned Small Businesses (EDWOSB) Program, and the Service-Disabled Veteran-Owned Small Businesses (SDVOSB) Program.

Besides set-aside contracting and financial assistance discussed above, small businesses also benefit through reduced fees, less paperwork, and fewer compliance requirements that are available to small businesses through Federal government. However, SBA has no data to estimate the number of small businesses receiving such benefits.

Based on the 2012 Economic Census (latest available), SBA estimates that in 68 industries in NAICS Sectors 11, 21, 22 and 23 for which it has proposed to increase size standards, more than 49,400 firms (see Table 10, below) not small under the current size standards will become small under the proposed size standards increases and therefore become eligible for these programs. That represents about 2.4 percent of all firms classified as small under the current size standards in industries for which SBA has proposed increasing size standards. If adopted, proposed size standards would result in an increase to the small business share of total receipts in those industries from 35.6 percent to 55.2 percent.

With more businesses qualifying as small under the proposed increases to size standards, Federal agencies will have a larger pool of small businesses from which to draw for their small business procurement programs. Growing small businesses that are close to exceeding the current size standards will be able to retain their small business status for a longer period under the higher size standards, thereby enabling them to continue to benefit from the small business programs.

Based on the FPDS–NG data for fiscal years 2016–2018, SBA estimates that about 90 firms that are active in Federal contracting in those industries would gain small business status under the proposed size standards. Based on the same data, SBA estimates that those newly qualified small businesses under the proposed increases to size standards, if adopted, could receive Federal small business contracts totaling about $9.8 million annually. That represents a 1.6 percent increase to small business dollars from the sector baseline.

The added competition from more businesses qualifying as small can result in lower prices to the government for procurements set aside or reserved for small businesses, but SBA cannot quantify this impact. Costs could be higher when full and open contracts are awarded to HUBZone businesses that receive price evaluation preferences. However, with agencies likely setting aside more contracts for small businesses in response to the availability of a larger pool of small businesses under the proposed increases to size standards, HUBZone firms might actually end up getting more set-aside contracts and fewer full and open contracts, thereby resulting in some cost savings to agencies. While SBA cannot estimate such costs savings as it is impossible to determine the number and value of unrestricted contracts to be otherwise awarded to HUBZone firms will be awarded as set-asides, such cost savings are likely to be relatively small as only a small fraction of full and open contracts are awarded to HUBZone businesses.

Under SBA's 7(a) and 504 loan programs, based on the data for fiscal years 2016–2018, SBA estimates up to about 21 7(a) and 504 loans totaling about $14.4 million could be made to these newly qualified small businesses in those industries under the proposed size standards. That represents a 0.6 percent increase to the loan amount compared to the Group baseline.

Newly qualified small businesses will also benefit from the SBA's EIDL program. Since the benefit provided through this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact. However, based on the historical trends of the EIDL data, SBA estimates that, on an annual basis, the newly defined small businesses under the proposed increases to size standards, if adopted, could receive four (4) EIDL loans, totaling about $0.5 million. Additionally, the newly defined small businesses would also benefit through reduced fees, less paperwork, and fewer compliance requirements that are available to small businesses through the Federal government, but SBA has no data to quantify this impact. Table 10, Impacts of Proposed Increases to Size Standards, provides these results by NAICS sector.

TABLE 10—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS

	Sector 11	Sector 21	Sector 22	Sector 23	Total
No. of industries with proposed increases to size standards	60	3	3	2	68
Total current small businesses in industries with Proposed increases to size standards (Economic Census 2012)	2,016,066	536	3,586	5,413	2,025,601
Additional firms qualifying as small under proposed standards (2012 Economic Census)	49,352	21	9	34	49,415
Percentage of additional firms qualifying as small relative to current small businesses in industries with proposed increases to size standards	2.4%	3.9%	0.2%	0.6%	2.4%
No. of current unique small firms getting small business contracts in industries with proposed increases to size standards (FPDS–NG FY2016–2018) [1]	3,143	171	488	576	4,346
Additional small business firms getting small business status (FPDS–NG FY2016–2018)	66	1	12	12	88
% increase to small businesses relative to current unique small firms getting small business contracts in industries with proposed increases to size standards (FPDS–NG FY2016–2018) [1]	2.1%	0.6%	2.5%	2.1%	2.0%
Total small business contract dollars under current standards in industries with proposed increases to size standards ($ million) (FPDS–NG FY2016–2018)	$455.7	$4.5	$67.0	$90.8	$618.0
Estimated small business dollars available to newly qualified small firms (Using avg dollars obligated to SBs) ($ million) (FPDS–NG FY 2016–2018) [1]	$5.1	$0.2	$2.7	$1.8	$9.8
% increase to small business dollars relative to total small business contract dollars under current standards in industries with proposed increases to size standards	1.1	5.1	4.1	2.0	1.26
Total no. of 7(a) and 504 loans to small business in industries with proposed increases to size standards (FY2016–2018)	779	4	36	96	915
Total amount of 7(a) and 504 loans to small businesses in industries with proposed increases to size standards ($ million) (FY2016–2018)	$582.5	$1.5	$6.5	$33.7	$624.3

TABLE 10—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS—Continued

	Sector 11	Sector 21	Sector 22	Sector 23	Total
Estimated no. of 7(a) and 504 loans to newly qualified small firms	18	1	1	1	21
Estimated 7(a) and 504 loan amount to newly qualified small firms ($ million)	$13.5	$0.4	$0.2	$0.4	$14.4
% increase to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans in industries with proposed increases to size standards	2.3	25.0	2.8	1.0	2.3
Total no. of EIDL loans to small businesses in industries with proposed increases to size standards (FY2016–2018)	73	0	3	3	79
Total amount of EIDL loans to small businesses in industries with proposed increases to size standards ($ million) (FY2016–2018)	$4.7	$0.0	$0.7	$0.3	$5.8
Estimated no. of EIDL loans to newly qualified small firms	2	0	1	1	4
Estimated EIDL loan amount to newly qualified small firms ($ million)	$0.13	$0.0	$0.3	$0.10	$0.5
% increase to EIDL loan amount relative to the total amount of EIDL loans in industries with proposed increases to size standards	2.3	0.0	33.3	33.3	8.2

1. Additional dollars are calculated multiplying average small business dollars obligated per DUNS times change in number of firms. Numbers of firms are calculated using the SBA current size standard, not the contracting officer's size designation.
2. Total impact represents total unique number of firms impacted to avoid double counting as some firms are participating in more than one industry.

Costs of Increases to Size Standards

Besides having to register in SAM to be able to participate in Federal contracting and update the SAM profile annually, small businesses incur no direct costs to gain or retain their small business status as a result of increases to size standards. All businesses willing to do business with the Federal government must register in SAM and update their SAM profiles annually, regardless of their size status. SBA believes that a vast majority of businesses that are willing to participate in Federal contracting are already registered in SAM and update their SAM profiles annually. More importantly, this proposed rule does not establish the new size standards for the very first time; rather it intends to modify the existing size standards in accordance with a statutory requirement and the latest data and other relevant factors.

To the extent that the newly qualified small businesses could become active in Federal procurement, the proposed increases to size standards, if adopted, may entail some additional administrative costs to the government as a result of more businesses qualifying as small for Federal small business programs. For example, there will be more firms seeking SBA's loans, more firms eligible for enrollment in the Dynamic Small Business Search (DSBS) database or in *certify.sba.gov,* more firms seeking certification as 8(a)/BD or HUBZone firms or qualifying for small business, SDB, WOSB, EDWOSB, and SDVOSB status, and more firms applying for SBA's 8(a)/BD and all small business mentor-protégé programs. With an expanded pool of small businesses, it is likely that Federal agencies would set aside more contracts for small businesses under the proposed increases to size standards. One may surmise that this might result in a higher number of small business size protests and additional processing costs to agencies. However, the SBA's historical data on size protests shows that the number of size protests decreased following the increases to receipts-based size standards as part of the first 5-year review of size standards. Specifically, on an annual basis, the number of size protests fell from about 600 during fiscal years 2011–2013 (review of most receipts-based size standards was completed by the end of FY 2013), as compared to about 500 during fiscal years 2014–2016 when size standards increases were in effect. That represents a 17 percent decline. Among those newly defined small businesses seeking SBA's loans, there could be some additional costs associated with verification of their small business status. However, small business lenders have an option of using the tangible net worth and net income based alternative size standard instead of using the industry-based size standards to establish eligibility for SBA's loans. For these reasons, SBA believes that these added administrative costs will be minor because necessary mechanisms are already in place to handle these added requirements.

Additionally, some Federal contracts may possibly have higher costs. With a greater number of businesses defined as small due to the proposed increases to size standards, Federal agencies may choose to set aside more contracts for competition among small businesses only instead of using a full and open competition. The movement of contracts from unrestricted competition to small business set-aside contracts might result in competition among fewer total bidders, although there will be more small businesses eligible to submit offers under the proposed size standards. However, the additional costs associated with fewer bidders are expected to be minor since, by law, procurements may be set aside for small businesses under the 8(a)/BD, SDB, HUBZone, WOSB, EDWOSB, or SDVOSB programs only if awards are expected to be made at fair and reasonable prices.

Costs may also be higher when full and open contracts are awarded to HUBZone businesses that receive price evaluation preferences. However, with agencies likely setting aside more contracts for small businesses in response to the availability of a larger pool of small businesses under the proposed increases to size standards, HUBZone firms might actually end up getting fewer full and open contracts, thereby resulting in some cost savings to agencies. However, such cost savings are likely to be minimal as only a small fraction of unrestricted contracts are awarded to HUBZone businesses.

Transfer Impacts of Increases to Size Standards

The proposed increases to size standards, if adopted, may result in some redistribution of Federal contracts between the newly qualified small businesses and large businesses and between the newly qualified small businesses and small businesses under the current standards. However, it would have no impact on the overall economic activity since total Federal contract dollars available for businesses to compete for will not change with changes to size standards. While SBA cannot quantify with certainty the actual outcome of the gains and losses from the redistribution contracts among different groups of businesses, it can identify several probable impacts in qualitative terms. With the availability of a larger pool of small businesses under the proposed increases to size standards, some unrestricted Federal contracts which would otherwise be awarded to large businesses may be set aside for small businesses. As a result, large businesses may lose some Federal contracting opportunities. Similarly, some small businesses under the current size standards may obtain a fewer set aside contracts due to the increased competition from more advanced businesses qualifying as small under the proposed increases to size standards. This impact may be offset by a greater number of procurements being set aside for all small businesses. With larger businesses qualifying as small under the higher size standards, smaller small businesses could face some disadvantage in competing for set aside contracts against their larger counterparts. However, SBA cannot quantify these impacts.

3. What alternatives have been considered?

Under OMB Circular A–4, SBA is required to consider regulatory alternatives to the proposed changes in the proposed rule. In this section, SBA describes and analyzes two such alternatives to the proposed rule. Alternative Option One to the proposed rule, a more stringent alternative to the proposed rule, would propose adopting size standards based solely on the analytical results. In other words, the size standards of 68 industries for which the analytical results suggest raising size standards would be raised. However, the size standards of 35 industries for which the analytical results suggest lowering size standards would be lowered. Alternative Option Two would propose retaining all size standards for all industries, given the uncertainty generated by the ongoing COVID–19 pandemic. Below, SBA discusses and presents the net impacts of each option.

Alternative Option One: Consider Adopting All Calculated Size Standards

As discussed elsewhere in this proposed rule, Alternative Option One would cause a substantial number of currently small businesses to lose their small business status and hence to lose their access to Federal small business assistance, especially small business set-aside contracts and SBA's financial assistance in some cases. These consequences could be mitigated. For example, in response to the 2008 Financial Crisis and economic conditions that followed, SBA adopted a general policy in the first 5-year comprehensive size standards review to not lower any size standard (except to exclude one or more dominant firms) even when the analytical results suggested the size standard should be lowered. Currently, because of the economic challenges presented by the COVID–19 pandemic and the measures taken to protect public health, SBA has decided to propose the same general policy of not lowering size standards in the ongoing second 5-year comprehensive size standards review as well.

The primary benefit of adopting this alternative is that SBA's procurement, management, technical and financial assistance resources would be targeted to the most appropriate beneficiaries of such programs according to the analytical results. Adopting the size standards suggested by the analytical results would also promote consistency with analytical results in SBA's exercise of its authority to determine size standards. SBA seeks public comment on the impact of adopting the size standard as suggested by the analytical results.

As explained in the Size Standards Methodology White Paper, in addition to adopting all results of the primary analysis, SBA evaluates other relevant factors as needed such as the impact of the reductions or increases of size standards on the distribution of contracts awarded to small businesses, and may adopt different results with the intention of mitigating potential negative impacts.

We have discussed already the benefits and costs of increasing 68 size standards. Below we discuss the benefits and costs of decreasing 35 size standards.

Benefits of Decreases to Size Standards

The most significant benefit to businesses from decreases to size standards when the SBA's analysis suggests such decreases is to ensure that size standards are more reflective of latest industry structure and Federal market trends and that Federal small business assistance is more effectively targeted to its intended beneficiaries. These include SBA's loan programs, EIDL program, and Federal procurement programs intended for small businesses. Federal procurement programs provide targeted, set-aside opportunities for small businesses under SBA's business development programs, such as small business, 8(a)/BD, SDB HUBZone, WOSB, EDWOSB, and SDVOSB programs. The adoption of smaller size standards when the results support them diminishes the risk of awarding contracts to firms which are not small anymore.

Decreasing size standards may reduce the administrative costs of the government, because the risk of awarding contracts to other than small businesses may diminish when the size standards reflect better the structure of the market. The risks of providing SBA's loans to firms that are not needing them the most, or allowing firms that are not eligible for small business set-asides or to participate on the SBA procurement programs will provide for a better chance for smaller firms to grow and benefit from the opportunities available on the Federal market, and strengthen the small business industrial base for the Federal Government.

Costs of Decreases to Size Standards

With fewer businesses qualifying as small under the decreases to size standards, Federal agencies will have a smaller pool of small businesses from which to draw for their small business procurement programs. For example, in Option One, during fiscal years 2016–2018, agencies awarded, on an annual basis, about $14,818 million in small business contracts in those 35 industries for which this Option considered decreasing size standards. Table 11 below shows that lowering 35 size standards would reduce Federal contract dollars awarded to small businesses by $865.4 million or about 5.8 percent relative to the baseline level, of which 99 percent are accounted for by the Construction Sector (NAICS 23). Because of the importance of the construction sector for Federal procurement and the immediate impact on businesses that will see their status as small changed relatively fast, SBA would adopt mitigating measures to reduce the negative impact under the assumptions of Option One. SBA could adopt one or more of the following three actions: (1) To accept decreases in size standards as suggested by the analytical results, (2) to decrease size standards by a smaller amount than the calculated threshold, and (3) to retain the size standards at their current levels.

Nevertheless, since Federal agencies are still required to meet the statutory small business contracting goal of 23 percent, actual impacts on the overall set aside activity is likely to be smaller as agencies are likely to award more set aside contracts to small businesses that continue to remain small under the reduced size standards.

With fewer businesses qualifying as small, the decreased competition can also result in higher prices to the Government for procurements set aside or reserved for small businesses, but SBA cannot quantify this impact. However, SBA estimates an almost null impact or non-significant reduction in dollars obligated to small businesses, if mitigation measures are adopted. Decreases to size standards would have a very minor impact on small businesses applying for SBA's 7(a) and 504 loans because a vast majority of such loans are issued to businesses that are far below the reduced size standards. For example, based on the loan data for fiscal years 2016–2018, Option One estimates that about 71 7(a) and 504 loans with total amounts of $16.8 million could not be made to those small businesses that would lose eligibility under the reduced size standards (before mitigation). That represents about one (1.0) percent decrease of the loan amounts compared to the baseline. Table 11, Impacts of Decreases to Size Standards Under Alternative Option One, below, shows these results by sector. However, the actual impact could be much less as businesses losing small business eligibility under the decreases to industry based size standards could still qualify for SBA's loans under the tangible net worth and net income based alternative size standard.

Businesses losing small business status would also be impacted in terms of access to loans through SBA's EIDL program. However, SBA expects such impact to be minimal as only a small number of businesses in those industries received such loans during fiscal years 2016–2018. Additionally, all those businesses were below the reduced size standards. Since this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact.

Small businesses becoming other than small if size standards were decreased might lose benefits through reduced fees, less paperwork, and fewer compliance requirements that are available to small businesses through Federal government, but SBA has no data to quantify this impact. However, if agencies determine that SBA's size standards do not adequately serve such purposes, they can establish a different size standard with an approval from SBA if they are required to use SBA's size standards for their programs.

TABLE 11—IMPACTS OF DECREASES TO SIZE STANDARDS UNDER ALTERNATIVE OPTION ONE

	Sector 11	Sector 21	Sector 22	Sector 23	Total
No. of industries for which SBA considered decreasing size standards (2012 Economic Census)	4	1	0	30	35
Total current small businesses in industries for which SBA considered decreasing size standards (EC 2012)	30,250	7,292	0	573,017	610,559
Estimated no. of firms losing small status for which SBA considered decreasing size standards (EC 2012)	17	16	0	5,479	5,512
% of Firms losing small status relative to current small businesses in industries for which SBA considered decreasing size standards	0.1	0.2	0.0	1.0	0.9
No. of current unique small firms getting small business contracts in industries for which SBA considered decreasing size standards (FPDS–NG FY2016–2018) [1]	33	50	0	11,087	11,157
Estimated number of small business firms that would have lost small business status in the decreases that SBA considered	0	2	0	518	518
% decrease to small business firms relative to current unique small firms getting small business contracts in industries for which SBA considered decreasing size standards (FPDS–NG FY2016–2018) [1]	0	4.0	0	4.7	4.6
Total small business contract dollars under current size standards in industries for which SBA considered decreasing size standards ($ million) (FPDS–NG FY2016–2018)	$3.3	$26.9	$0	$14,790	$14,818
Estimated small business dollars not available to firms losing small business status (Using avg dollars obligated to SBs) ($ million) [1] (FPDS–NG FY 2016–2018)	$0	$1.1	$0	$864.4	$865.4
% decrease to small business dollars relative to total small business contract dollars under current size standards in industries for which SBA considered decreasing size standards	0	4.1	0	5.8	5.8
Total no. of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards (FY2016–2018)	64	69	0	7,328	7,371
Total amount of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards ($ million) (FY2016–2018)	$38.2	$32.7	$0.0	$1,671.5	$1,742.4
Estimated no. of 7(a) and 504 loans not available to firms that would have lost small business status	1	0	0	70	71
Estimated 7(a) and 504 loan amount not available to firms that would have lost small status ($ million)	$0.6	$0.0	$0.0	$16.2	$16.8

TABLE 11—IMPACTS OF DECREASES TO SIZE STANDARDS UNDER ALTERNATIVE OPTION ONE—Continued

	Sector 11	Sector 21	Sector 22	Sector 23	Total
% decrease to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans in industries for which SBA considered decreasing size standards	1.6%	0.0%	0.0%	1.0%	1.0%
Total no. of EIDL loans to small businesses in industries for which SBA considered decreasing size standards (FY2016–2018)	17	3	0	219	239
Total amount of EIDL loans to small businesses in industries for which SBA considered decreasing size standards ($ million) (FY2016–2018)	$0.9	$0.6	$0.0	$17.8	$19.2
Estimated no. of EIDL loans not available to firms that would have lost small business status	-1	0	0	−3	−4
Estimated EIDL loan amount not available to firms that would have lost small business status ($ million)	−$0.1	$0.0	$0.0	−$0.2	$0
% decrease to EIDL loan amount relative to the baseline	5.9%	0.0%	0.0%	1.4%	1.5%

1. Additional dollars are calculated multiplying average small business dollars obligated per DUNS times change in number of firms.
2. Total impact represents total unique industries impacted to avoid double counting as some industries have large firms gaining small business status and small firms extending small business status.

Transfer Impacts of Decreases to Size Standards

If the size standards were decreased under Alternative Option One, it may result in a redistribution of Federal contracts between small businesses losing their small business status and large businesses and between small businesses losing their small business status and small businesses remaining small under the reduced size standards. However, as under the proposed increases to size standards, it would have no impact on the overall economic activity since total Federal contract dollars available for businesses to compete for will stay the same. While SBA cannot estimate with certainty the actual outcome of the gains and losses among different groups of businesses from contract redistribution resulting from decreases to size standards, it can identify several probable impacts. With a smaller pool of small businesses under the decreases to size standards, some set-aside Federal contracts to be otherwise awarded to small businesses may be competed in unrestricted basis. As a result, large businesses may have more Federal contracting opportunities. However, because agencies are still required by law to award 23 percent of dollars to small businesses, SBA expects the movement of set-aside contracts to unrestricted competition to be limited. For the same reason, small businesses remaining small under the reduced size standards are likely to obtain more set aside contracts due to the reduced competition from fewer businesses qualifying as small under the decreases to size standards. With some larger small businesses losing small business status under the decreases to size standards, smaller small businesses would likely become more competitive in obtaining set aside contracts. However, SBA cannot quantify these impacts.

Net Impact of Alternative Option One

To estimate the net impacts of Alternative Option One, SBA followed the same methodology used to evaluate the impacts of the proposed size standards (see Table 10 above). However, under Alternative Option One, SBA used the calculated size standards instead of the proposed ones to determine the impacts of changes to current thresholds. The impact of the increases of the calculated size standards were already shown in Table 10 above. Table 11 (above) and Table 12, Net Impacts of Size Standards Changes under Alternative Option One, below, present the impact of the decreases of size standards and the net impact of adopting the calculated results under Alternative Option One, respectively.

Based on the 2012 Economic Census, SBA estimates that in 103 industries in NAICS Sectors 11, 21, 22 and 23 for which the analytical results suggested to change size standards, about 43,900 firms (see Table 12, below), would become small under the Option One. That represents about 1.7 percent of all firms classified as small under the current size standards.

Based on the FPDS–NG data for fiscal years 2016–2018, SBA estimates that about 433 active firms in Federal contracting in those industries would lose small business status under Option One, most of them from the Construction Sector. This represents a decrease of about 2.9 percent of the total number of small businesses participating in Federal contracting under the current size standards. Based on the same data, SBA estimates that about $855.6 million of Federal procurement dollars would not be available to firms losing their small status. This represents a decrease of 5.5 percent from the Group's baseline. Again, a large amount of the loses are accounted for by the Construction Sector.

Based on the SBA's loan data for fiscal years 2016–2018, the total number of 7(a) and 504 loans may decrease by about 50 loans, and the loan amounts by about $2.4 million. This represents a 0.1 percent decrease of the loan amounts relative to the Group baseline.

Firms' Participation under the SBA's EIDL program will be affected as well. Since the benefit provided through this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact. However, based on the historical trends of the EIDL data, SBA estimates that, on an annual basis, the net impact of the Option One on additional firms is zero, and additional loans amounts total about $0.18 million for the Group relative to the baseline. Table 12, below, provides these results by NAICS sector.

TABLE 12—NET IMPACTS OF SIZE STANDARDS CHANGES UNDER ALTERNATIVE OPTION ONE

	Sector 11	Sector 21	Sector 22	Sector 23	Total
No. of industries with proposed changes to size standards	64	4	3	32	103

TABLE 12—NET IMPACTS OF SIZE STANDARDS CHANGES UNDER ALTERNATIVE OPTION ONE—Continued

	Sector 11	Sector 21	Sector 22	Sector 23	Total
Total no. of small business under the current size standards (2012 Economic Census)	2,046,316	7,828	3,586	578,430	2,636,160
Additional firms qualifying as small under proposed size standards (2012 Economic Census)	49,335	5	9	−5,445	43,902
% of additional firms qualifying as small relative to total current small businesses	2.4%	0.1%	0.2%	−0.9%	1.7%
No. of current unique small firms getting small business contracts (FPDS–NG FY2016–2018) [1]	3,174	221	488	11,422	14,933
Additional small firms getting small business status (FPDS–NG FY2016–2018)	64	−1	12	−505	−433
% increase to small firms relative to current unique small firms getting small business contracts (FPDS–NG FY2016–2018) [1]	2.0	−0.5	2.5	−4.4	−2.9
Total small business contract dollars under current size standards ($ million) (FPDS–NG FY 2016–2018)	459.1	31.3	67.0	14,879.0	15,436.4
Estimated small business dollars available to newly qualified small firms ($ million) (FPDS–NG FY 2016–2018) [1]	5.1	−0.9	2.7	−862.6	−855.6
% increase to dollars relative to total small business contract dollars under current size standards	1.1	−2.8	4.1	−5.8	−5.5
Total no. of 7(a) and 504 loans to small businesses (FY2016–2018)	843	73	36	7,334	8,286
Total amount of 7(a) and 504 loans to small businesses (FY2016–2018)	$620.7	$34.2	$6.5	$1,705.3	$2,366.7
Estimated no. of additional 7(a) and 504 loans to newly qualified small firms	17	1	1	−69	−50
Estimated additional 7(a) and 504 loan amount to newly qualified small firms ($ million)	$12.9	$0.4	$0.2	−$15.8	−$2.4
% increase to 7(a)and 504 loan amount relative to the total amount of 7(a) and 504 loans to small businesses	2.1%	1.1%	2.8%	−0.93%	−0.1%
Total no. of EIDL loans to small businesses (FY2016–2018)	90	3	3	222	318
Total amount of EIDL loans to small businesses (FY2016–2018)	$5.6	$0.6	$0.7	$18.0	$25.0
Estimated no. of additional EIDL loans to newly qualified small firms	1	0	1	−2	0
Estimated additional EIDL loan amount to newly qualified small firms ($ million)	$0.08	$0.0	$0.2	−$0.1	$0.18
% increase to EIDL loan amount relative to the total amount of EIDL loans to small businesses	1.4%	0.0%	33.3%	−0.8%	0.7%

[1] Additional dollars are calculated multiplying average small business dollars obligated per DUNS times change in number of firms.
[2] Total impact represents total unique industries impacted to avoid double counting as some industries have large firms gaining small business status and small firms extending small business status.

Alternative Option Two: To Retain All Current Size Standards

Under this option, given the current COVID–19 pandemic, as discussed elsewhere, SBA considered retaining the current levels of all size standards even though the analytical results may suggest changing them. SBA considers that the option of retaining all size standards at this moment provides the opportunity to reassess the economic situation once the economic recovery starts. Under this option, as the current situation develops, SBA will be able to assess new data available on economic indicators, federal procurement, and SBA loans as well. SBA estimates a net impact of zero for this option, when compared to the baseline. However, if we compare the proposal of increasing 68 size standards and retaining 35 with this alternative approach, the benefits for small businesses of adopting the proposal will not be attained, because of which SBA is not proposing the Alternative Option Two.

Executive Order 13771

SBA has determined, subject to the approval of the Office of Information and Regulatory Affairs (OIRA) of the Office of Management and Budget (OMB), that this proposed rule is not subject to the requirements of E.O. 13771, because most of the rule's impacts are income transfers between small and other than small businesses. According to the E.O. 13771 guidance in OMB M–17–21, dated April 5, 2017 (''E.O. 13771 Guidance''), ''transfers'' are not covered by E.O. 13771. The E.O. 13771 Guidance also states that ''in some cases, [transfer rules] may impose requirements apart from transfers, or transfers may distort markets causing inefficiencies. In those cases, the actions would need to be offset to the extent they impose more than de minimis costs.'' SBA estimates that this rulemaking would impose only de minimis costs on small businesses and would result in negligible compliance costs. Thus, SBA has determined that this rulemaking is exempt from the requirements of E.O. 13771. Details on the estimated costs of this proposed rule can be found in the Regulatory Impact Analysis above.

Initial Regulatory Flexibility Analysis

According to the Regulatory Flexibility Act (RFA), 5 U.S.C. 601–612, when an agency issues a rulemaking, it must prepare a regulatory flexibility analysis to address the impact of the rule on small entities.

This proposed rule, if adopted, may have a significant impact on a substantial number of small businesses in the industries covered by this proposed rule. As described above, this rule may affect small businesses seeking

Federal contracts, loans under SBA's 7(a), 504 and EIDL Programs, and assistance under other Federal small business programs.

Immediately below, SBA sets forth an initial regulatory flexibility analysis (IRFA) of this proposed rule addressing the following questions: (1) What is the need for and objective of the rule;? (2) What are SBA's description and estimate of the number of small businesses to which the rule will apply;? (3) What are the projected reporting, record keeping, and other compliance requirements of the rule;? (4) What are the relevant Federal rules that may duplicate, overlap, or conflict with the rule;? and (5) What alternatives will allow the Agency to accomplish its regulatory objectives while minimizing the impact on small businesses?

1. What is the need for and objective of the rule?

Changes in industry structure, technological changes, productivity growth, mergers and acquisitions, and updated industry definitions have changed the structure of many the industries covered by this proposed rule. Such changes can be enough to support revisions to current size standards for some industries. Based on the analysis of the latest data available, SBA believes that the revised standards in this proposed rule more appropriately reflect the size of businesses that need Federal assistance. The 2010 Jobs Act also requires SBA to review all size standards and make necessary adjustments to reflect market conditions.

2. What are SBA's description and estimate of the number of small businesses to which the rule will apply?

Based on data from the 2012 Economic Census, SBA estimates that there are about 2.02 million small firms covered by this rulemaking under industries with proposed changes to size standards. If the proposed rule is adopted in its present form, SBA estimates that an additional 49,415 businesses will become small.

3. What are the projected reporting, record keeping and other compliance requirements of the rule?

The proposed size standard changes impose no additional reporting or record keeping requirements on small businesses. However, qualifying for Federal procurement and a number of other programs requires that businesses register in SAM and self-certify that they are small at least once annually. Therefore, businesses opting to participate in those programs must comply with SAM requirements. There are no costs associated with SAM registration or certification. Changing size standards alters the access to SBA's programs that assist small businesses but does not impose a regulatory burden because they neither regulate nor control business behavior.

4. What are the relevant Federal rules, which may duplicate, overlap or conflict with the rule?

Under section 3(a)(2)(C) of the Small Business Act, 15 U.S.C. 632(a)(2)(c), Federal agencies must use SBA's size standards to define a small business, unless specifically authorized by statute to do otherwise. In 1995, SBA published in the **Federal Register** a list of statutory and regulatory size standards that identified the application of SBA's size standards as well as other size standards used by Federal agencies (60 FR 57988 (November 24, 1995)). SBA is not aware of any Federal rule that would duplicate or conflict with establishing size standards.

However, the Small Business Act and SBA's regulations allow Federal agencies to develop different size standards if they believe that SBA's size standards are not appropriate for their programs, with the approval of SBA's Administrator (13 CFR 121.903). The Regulatory Flexibility Act authorizes an Agency to establish an alternative small business definition, after consultation with the Office of Advocacy of the U.S. Small Business Administration (5 U.S.C. 601(3)).

5. What alternatives will allow the Agency to accomplish its regulatory objectives while minimizing the impact on small entities?

By law, SBA is required to develop numerical size standards for establishing eligibility for Federal small business assistance programs. Other than varying size standards by industry and changing the size measures, no practical alternative exists to the systems of numerical size standards.

However, SBA considered two alternatives to its proposal to increase 68 size standards and maintain 35 size standards at their current levels. The first alternative SBA considered was adopting size standards based solely on the analytical results. In other words, the size standards of 68 industries for which the analytical results suggest raising size standards would be raised. However, the size standards of 35 industries for which the analytical results suggest lowering size standards would be lowered. This would cause a significant number of small businesses to lose their small business status, especially in the construction sector. Under the second alternative, in view of the COVID–19 pandemic, SBA considered retaining all size standards at the current levels, even though the analytical results may suggest increasing 68 size standards and decreasing 35. Retaining all size standards at their current levels would be more onerous for the small businesses than the option of adopting 68 increases and retaining the rest of size standards. Additionally, for the first time, SBA evaluated 46 agricultural industries in this proposed rule, and postponing the adoption of the calculated size standards would be detrimental for the small businesses within these industries.

Executive Order 13563

Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. A description of the need for this regulatory action and benefits and costs associated with this action including possible distributional impacts that relate to Executive Order 13563 is included above in the Regulatory Impact Analysis under Executive Order 12866. Additionally, Executive Order 13563, section 6, calls for retrospective analyses of existing rules.

The review of size standards in the industries covered by this proposed rule is consistent with section 6 of Executive Order 13563 and the 2010 Jobs Act which requires SBA to review all size standards and make necessary adjustments to reflect market conditions. Specifically, the 2010 Jobs Act requires SBA to review at least one-third of all size standards during every 18-month period from the date of its enactment (September 27, 2010) and to review all size standards not less frequently than once every five years, thereafter. SBA had already launched a comprehensive review of size standards in 2007. In accordance with the Jobs Act, SBA completed the comprehensive review of the small business size standard for each industry, except those for agricultural enterprises previously set by Congress, and made appropriate adjustments to size standards for a number of industries to reflect current Federal and industry market conditions. The first comprehensive review was completed in 2015. Prior to 2007, the last time SBA conducted a comprehensive review of all size standards was during the late 1970s and early 1980s.

SBA issued a White Paper entitled ''Size Standards Methodology'' and published a notice in the April 11, 2019, edition of the **Federal Register** (84 FR 14587) to advise the public that the document is available for public review and comments. The ''Size Standards Methodology'' White Paper explains how SBA establishes, reviews, and modifies its receipts-based and employee-based small business size standards. SBA gave appropriate consideration to all input, suggestions, recommendations, and relevant information obtained from industry groups, individual businesses, and Federal agencies in developing size standards for those industries covered by this proposed rule.

Executive Order 12988

This action meets applicable standards set forth in sections 3(a) and 3(b)(2) of Executive Order 12988, Civil Justice Reform, to minimize litigation, eliminate ambiguity, and reduce burden. The action does not have retroactive or preemptive effect.

Executive Order 13132

For purposes of Executive Order 13132, SBA has determined that this proposed rule will not have substantial, direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, SBA has determined that this proposed rule has no federalism implications warranting preparation of a federalism assessment.

Paperwork Reduction Act

For the purpose of the Paperwork Reduction Act, 44 U.S.C. Ch. 35, SBA has determined that this rule will not impose any new reporting or record keeping requirements.

List of Subjects in 13 CFR Part 121

Administrative practice and procedure, Government procurement, Government property, Grant programs—business, Individuals with disabilities, Loan programs—business, Reporting and recordkeeping requirements, Small businesses.

For the reasons set forth in the preamble, SBA proposes to amend 13 CFR part 121 as follows:

PART 121—SMALL BUSINESS SIZE REGULATIONS

■ 1. The authority citation for part 121 continues to read as follows:

Authority: 15 U.S.C. 632, 634(b)(6), 636(a)(36), 662, and 694a(9); Pub. L. 116–136, Section 1114.

■ 2. In § 121.201 amend the table ''Small Business Size Standards by NAICS Industry'' as follows:

■ a. Revise Subsector 111, entries ''112111'', ''112112'', ''112120'', ''112210'', ''112320'' through ''112340'', ''112390'', ''112410'', ''112420'', ''112511'', ''112512'', ''112519'', ''112910'' through ''112930'', ''112990'', ''113110'', ''113210'', ''114112'', ''114119'', ''114210'', entries ''115111'' through ''115113'', ''115116'', ''115210'' ''115310'', ''115310 first and second sub-entry'', entries ''213113'' through ''213115'', ''221310'' through ''221330'', ''237990'', ''237990 sub-entry'', and ''238290'';

■ b. Revise footnote 2;

■ c. Redesignate footnote 17 as footnote 1;

■ d. Redesignate footnote 20 as footnote 15;

■ e. Redesignate footnote 19 as footnote 17;

■ f. Revise Editorial Note 1; and

■ g. Remove Editorial Note 2.

The revisions read as follows:

§ 121.201 What size standards has SBA identified by North American Industry Classification System codes?

* * * * *

SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY

NAICS codes	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
	Sector 11—Agriculture, Forestry, Fishing and Hunting Subsector 111—Crop Production		
111110	Soybean Farming	$2.0	
111120	Oilseed (except Soybean) Farming	2.0	
111130	Dry Pea and Bean Farming	2.5	
111140	Wheat Farming	2.0	
111150	Corn Farming	2.25	
111160	Rice Farming	2.25	
111191	Oilseed and Grain Combination Farming	2.0	
111199	All Other Grain Farming	2.0	
111211	Potato Farming	3.75	
111219	Other Vegetable (except Potato) and Melon Farming	3.25	
111310	Orange Groves	3.5	
111320	Citrus (except Orange) Groves	3.75	
111331	Apple Orchards	4.0	
111332	Grape Vineyards	3.5	
111333	Strawberry Farming	4.75	
111334	Berry (except Strawberry) Farming	3.25	
111335	Tree Nut Farming	3.25	
111336	Fruit and Tree Nut Combination Farming	4.5	
111339	Other Noncitrus Fruit Farming	3.0	
111411	Mushroom Production	4.0	
111419	Other Food Crops Grown Under Cover	4.0	
111421	Nursery and Tree Production	2.75	
111422	Floriculture Production	3.25	
111910	Tobacco Farming	2.25	
111920	Cotton Farming	2.75	
111930	Sugarcane Farming	4.5	
111940	Hay Farming	2.25	
111991	Sugar Beet Farming	2.25	
111992	Peanut Farming	2.25	
111998	All Other Miscellaneous Crop Farming	2.25	

SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY—Continued

NAICS codes	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
Subsector 112—Animal Production and Aquaculture			
112111	Beef Cattle Ranching and Farming	2.25	
112112	Cattle Feedlots	19.5	
112120	Dairy Cattle and Milk Production	3.25	
112210	Hog and Pig Farming	3.5	
* * *	* * *	*	*
112320	Broilers and Other Meat Type Chicken Production	3.0	
112330	Turkey Production	3.25	
112340	Poultry Hatcheries	3.5	
112390	Other Poultry Production	3.25	
112410	Sheep Farming	3.0	
112420	Goat Farming	2.25	
112511	Finfish Farming and Fish Hatcheries	3.25	
112512	Shellfish Farming	3.25	
112519	Other Aquaculture	3.25	
112910	Apiculture	2.75	
112920	Horses and Other Equine Production	2.5	
112930	Fur-Bearing Animal and Rabbit Production	3.25	
112990	All Other Animal Production	2.5	
Subsector 113—Forestry and Logging			
113110	Timber Tract Operations	16.5	
113210	Forest Nurseries and Gathering of Forest Products	18.0	
* * *	* * *	*	*
Subsector 114—Fishing, Hunting and Trapping			
* * *	* * *	*	*
114112	Shellfish Fishing	12.5	
114119	Other Marine Fishing	10.0	
114210	Hunting and Trapping	7.5	
Subsector 115—Support Activities for Agriculture and Forestry			
115111	Cotton Ginning	14.0	
115112	Soil Preparation, Planting, and Cultivating	8.5	
115113	Crop Harvesting, Primarily by Machine	12.0	
* * *	* * *	*	*
115116	Farm Management Services	13.5	
115210	Support Activities for Animal Production	9.5	
115310	Support Activities for Forestry	10.0	
115310 (Exception 1)	Forest Fire Suppression [1]	25.0 [1]	
115310 (Exception 2)	Fuels Management Services [1]	25.0 [1]	
Sector 21—Mining, Quarrying, and Oil and Gas Extraction			
* * *	* * *	*	*
Subsector 213—Support Activities for Mining			
* * *	* * *	*	*
213113	Support Activities for Coal Mining	24.0	
213114	Support Activities for Metal Mining	36.0	
213115	Support Activities for Nonmetallic Minerals (except Fuels) Mining	18.0	
Sector 22—Utilities Subsector 221—Utilities			
* * *	* * *	*	*
221310	Water Supply and Irrigation Systems	36.0	
221320	Sewage Treatment Facilities	31.0	

SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY—Continued

NAICS codes	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
221330	Steam and Air-Conditioning Supply	26.5	
	Sector 23—Construction **Subsector 236—Construction of Buildings**		
* * *	* * *	*	*
	Subsector 237—Heavy and Civil Engineering Construction		
* * *	* * *	*	*
237990	Other Heavy and Civil Engineering Construction	39.5	
237990 (Exception)	Dredging and Surface Cleanup Activities [2]	33.0 [2]	
	Subsector 238—Specialty Trade Contractors		
* * *	* * *	*	*
238290	Other Building Equipment Contractors	19.5	
* * *	* * *	*	*
511210	Software Publishers [15]	41.5 [15]	
* * *	* * *	*	*
	Sector 92—Public Administration [17]		
* * *	* * *	*	*

Footnotes

[1] *NAICS code 115310*—Support Activities for Forestry: Forest Fire Suppression and Fuels Management Services are two components of Support Activities for Forestry. Forest Fire Suppression includes establishments which provide services to fight forest fires. These firms usually have fire-fighting crews and equipment. Fuels Management Services firms provide services to clear land of hazardous materials that would fuel forest fires. The treatments used by these firms may include prescribed fire, mechanical removal, establishing fuel breaks, thinning, pruning, and piling.

[2] *NAICS code 237990*—Dredging: To be considered small for purposes of Government procurement, a firm or its similarly situated subcontractors must perform at least 40 percent of the volume dredged with its own equipment or equipment owned by another small dredging concern.

[15] NAICS code 511210—For purposes of Government procurement, the purchase of software subject to potential waiver of the nonmanufacturer rule pursuant to § 121.1203(d) should be classified under this NAICS code.

[17] NAICS Sector 92—Small business size standards are not established for this sector. Establishments in the Public Administration sector are Federal, State, and local government agencies which administer and oversee government programs and activities that are not performed by private establishments. Concerns performing operational services for the administration of a government program are classified under the NAICS private sector industry based on the activities performed. Similarly, procurements for these types of services are classified under the NAICS private sector industry that best describes the activities to be performed. For example, if a government agency issues a procurement for law enforcement services, the requirement would be classified using one of the NAICS industry codes under NAICS industry 56161, Investigation, Guard, and Armored Car Services.

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Editorial Note: For **Federal Register** citations affecting § 121.201, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and at *www.govinfo.gov.*

Jovita Carranza,

Administrator.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2020–0857; Project Identifier MCAI–2020–00707–A]

RIN 2120–AA64

Airworthiness Directives; Pilatus Aircraft Limited Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to supersede Airworthiness Directive (AD) 2014–25–04, which applies to all Pilatus Aircraft Limited (Pilatus) Models PC–6, PC–6–H1, PC–6–H2, PC–6/350, PC–6/350–H1, PC–6/350–H2, PC–6/A, PC–6/A–H1, PC–6/A–H2, PC–6/B–H2, PC–6/B1–H2, PC–6/B2–H2, PC–6/B2–H4, PC–6/C–H2, and PC–6/C1–H2 airplanes. AD 2014–25–04 requires incorporating revised airworthiness limitations into the aircraft maintenance manual (AMM). Since the FAA issued AD 2014–25–04, the FAA has determined that new or more restrictive airworthiness limitations are necessary for the stabilizer trim actuator, fuselage wing fittings, and wing-to-fuselage fittings. This proposed AD would require revising the airworthiness limitation section of the existing maintenance manual or instructions for continued airworthiness to incorporate new airworthiness limitations, and performing an eddy current inspection of the fuselage wing fittings and wing to fuselage fittings. The FAA is proposing