

Comment of Traci Harig

Docket No. SBA-2026-0265, 2026 Revised Size Standards Methodology

To: Ryan Lambert, Associate Administrator, Office of Industrial Base Resilience & Contracting, U.S. Small Business Administration

Re: Small Business Size Standards: Revised Size Standards Methodology, notice of availability, 91 Fed. Reg. 54096 (Aug. 20, 2026), Docket No. SBA-2026-0265 [1]. Comments due November 20, 2026 [2].

From: Traci Harig, Florida

Date: October 20, 2026

I am a former GS-13 Loan Specialist with SBA's National Guaranty Purchase Center in Herndon, Virginia. I worked on SBA's Paycheck Protection Program for more than four years. I reviewed loan files after disbursement for eligibility and compliance, including affiliation analysis under 13 CFR §121 and corporate group loan limits. PPP loans were made under section 7(a) of the Small Business Act. I am commenting as an individual and not on behalf of any organization.

I am filing a related comment in Docket No. SBA-2026-0199 on the proposed rule that applies this methodology [3]. This comment addresses the methodology itself: how the proposed approach derives standards, what the record must show under the Small Business Act, and where the results depend most on choices SBA has not yet explained. Points that go mainly to the rule's effects are in that comment, and I refer to it where they arise.

One observation on sequencing. SBA adopted its current methodology on September 12, 2024 and applied it in a proposed rule published August 22, 2025 [1, 4]. The 2026 methodology is a significant departure from that one, and SBA published it for comment on the same day it published the standards calculated from it. The public is therefore asked to comment on the method and on its results at the same time, without the opportunity to test the method before seeing it applied economy-wide [1, 3]. That makes a complete methodology record more important than usual.

Summary of requests

1. Place in the record the materials behind Table A, to permit meaningful evaluation of the analysis required by section 3(a)(6).
2. Explain how the two-part grouping test demonstrates that each group-level standard is appropriate for each component six-digit industry under sections 3(a)(3) and 3(a)(7), and whether SBA's reading of section 3(a)(8) has changed since 2024.
3. Show how the six-digit industries inside each four-digit group differ on the factors SBA measured.
4. Identify the evidence supporting the selected anchor points and report any sensitivity testing under alternative anchors.
5. Explain how average market size is validated as a proxy for dominance at the upper end of the range, including in the federal market.
6. Explain how the \$30.6 million floor will change over time and the criteria for productivity adjustments between reviews.
7. Show that the underlying data, mostly from 2022 and 2023 with some older inputs, remain representative.
8. Consider a combined employee and receipts test where industry groups convert to headcount.

Disclosure of the analytical basis under section 3(a)(6)

Section 3(a)(6) of the Small Business Act requires that, in rulemaking to revise, modify, or establish size standards, the Administrator consider, address, and make publicly available as part of the notice of proposed rulemaking and notice of final rule each of the following [5]:

(A) a detailed description of the industry for which the new size standard is proposed; (B) an analysis of the competitive environment for that industry; (C) the approach the Administrator used to develop the proposed standard including the source of all data used to develop the proposed rule making; and (D) the anticipated effect of the proposed rulemaking on the industry, including the number of concerns not currently considered small that would be considered small under the proposed rule making and the number of concerns currently considered small that would be deemed other than small under the proposed rulemaking.

Section 3(a)(6) applies by its terms to the notice of proposed rulemaking. I raise it in this docket because the proposed rule states that the methodology's background, analysis, and discussion are incorporated in it [3]. SBA has identified its data sources and described its formulas, and I am not suggesting otherwise. Table A reports national industry size, the number of geographic markets, the net import adjustment, average market size, and the resulting standard for each of the 338 proposed standards, and equations 10 and 11 convert average market size into the standard [1]. From those, a commenter can confirm that a standard follows from its average market size.

What a commenter cannot yet see is what sits behind Table A. Average market size is national industry size, adjusted for net imports, divided by the number of geographic markets, so the number of markets has a large effect on the result. It ranges from 1 to 3,109 [1]. It comes from a procedure that combines counties until a measure of geographic disparity falls below a stopping value of 0.15. SBA considered stopping values of 0.12 and 0.18 and rejected each because of the results it produced for particular industries [1]. For 29 industry groups and industries SBA does not use the result of the standard procedure. It gives a reason for each and assigns a number based on industry characteristics, such as a single market for farms and 554 commuting zones for natural gas distribution [1]. Table A gives the resulting number for each group. It does not give the county groupings, the estimated county data used where figures are suppressed, or the results under the stopping values SBA rejected. Section 3(a)(6) requires SBA to disclose its approach and the source of all data used. The intermediate results I am requesting go further than that, but they are what commenters need to check how the approach was applied.

The rule's firm-count estimates come from applying this methodology to the source data. The methodology states that 114 thousand businesses would be reclassified as small [1], and the proposed rule reports the count by industry [3]. I did not find in either document a description of how firms were counted at each current and proposed threshold. I address the contractor estimates, including the difference between the rule's 37,002 and the Office of Advocacy's 4,000 to 6,000 [6], in my comment in Docket No. SBA-2026-0199.

When I checked on October 19, 2026, the only agency documents in this docket were Federal Register notices, including the methodology notice itself. I did not find the underlying data, county groupings, or calculation files in this docket or in Docket No. SBA-2026-0199. In the August 2025 rulemaking, SBA posted its methodology paper in the docket as supporting material [4].

Request: Place in both dockets the county groupings and estimated county data behind the number of geographic markets for each industry group, the results under the stopping values SBA considered and rejected, the basis for the number assigned to each of the 29 industry groups and industries where the standard procedure was not used, and the data and method used to count firms at each current and

proposed threshold, to permit meaningful evaluation of the analysis required by section 3(a)(6). Where source data cannot be released, post aggregated intermediate results. Allow a comment period on those materials once posted.

Consolidation and the statutory provisions on grouping and number of standards

Consolidation from roughly 1,000 standards to 338 is the central feature of this proposal. Three provisions of the Small Business Act bear on it, and SBA quotes all three in the methodology [1].

Section 3(a)(7) provides [5]:

In carrying out this subsection, the Administrator may establish or approve a single size standard for a grouping of 4-digit North American Industry Classification System codes only if the Administrator makes publicly available, not later than the date on which such size standard is established or approved, a justification demonstrating that such size standard is appropriate for each individual industry classification included in the grouping.

SBA relies on this provision. The methodology states that SBA is proposing to establish standards at the four-digit level “as allowed under 15 U.S.C. 632(a)(7), where appropriate” [1]. It then states: “The SBA’s proposed justification for grouping industries at the 4-digit level is based on two criteria with a single size standard chosen for industries if either criterion is met” [1]. SBA treats section 3(a)(7) as the governing provision. What remains is whether the two criteria are the justification it requires, one “demonstrating that such size standard is appropriate for each individual industry classification included in the grouping.”

In its September 2024 notice on the 2024 methodology, SBA described this provision as one that limits its ability to group related industries below the four-digit level. Responding to a public comment in the same notice, SBA wrote that the statute permits a common standard across a four-digit group “provided that the data supports the same size standard for each of those industries in the group” [7]. The 2026 methodology assigns a common standard to the six-digit industries inside each of 276 four-digit groups, using criteria that do not look at industry data [1].

Section 3(a)(8) provides [5]:

The Administrator shall not limit the number of size standards established pursuant to paragraph (2), and shall assign the appropriate size standard to each North American Industry Classification System Code.

SBA read sections 3(a)(7) and 3(a)(8) together two years ago. Responding to public comments in the same September 2024 notice, SBA wrote that the 2013 amendment requiring it to assign a size standard to each NAICS industry “limits the SBA’s ability to group NAICS industries to establish a common size standard,” and that the data from its second five-year review “did not support the same size standard for all industries in NAICS 5415” [7]. The 2026 proposal sets a single standard of \$531 million for NAICS 5415 [3], and the grouping test behind it does not look at industry data [1]. Every six-digit code would still be assigned a standard. The question under section 3(a)(8) is whether the group standard is the appropriate standard for each code. SBA explains why it prefers fewer standards. I did not find an explanation of what changed between SBA’s September 2024 conclusion on NAICS 5415 and this proposal, or whether SBA now reads sections 3(a)(7) and 3(a)(8) differently.

A third provision bears on the same question. Section 3(a)(3) requires that, when establishing or approving any size standard, the Administrator ensure that the standard varies from industry to industry to the extent necessary to reflect the differing characteristics of the various industries [5]. The same sentence directs the Administrator to consider other factors the Administrator deems relevant, which leaves room for judgment, but the variation requirement itself is mandatory. It applies to whatever standard SBA adopts, and it asks whether the standard

reflects the differences among the industries it covers. The provision does not define “industry.” SBA’s own notices do: “SBA considers an industry to be a 5- or 6-digit NAICS code and an industry group to be a 4-digit NAICS code” [1, 3]. If SBA reads “industry” in section 3(a)(3) to mean the four-digit group, it would help to say so and explain why.

I am not asserting that the proposal violates any of these provisions. That conclusion would require a group-by-group review of the full record, and the methodology does set out grouping criteria and supporting tables. I am asking SBA to put its interpretation and its justification on the record.

Request: State SBA’s interpretation of sections 3(a)(3), 3(a)(7), and 3(a)(8) as applied to this methodology. For each proposed group-level standard covering multiple six-digit industries, identify where the record demonstrates that the standard is appropriate for each component industry, as section 3(a)(7) requires, and that no further variation is necessary under section 3(a)(3). Explain what changed between the 2024 and 2026 grouping analyses, and whether SBA’s reading of sections 3(a)(7) and 3(a)(8) has changed since its September 2024 notice.

Grouping criteria

The methodology uses a two-part test. A four-digit industry group gets a single standard if it sits at or below the lowest level of the NAICS hierarchy on which the United States, Canada, and Mexico agree, or if the NAICS manual’s cross-references connect all of its five-digit industries. Of 297 industry groups, 276 meet at least one criterion. For the 21 that meet neither, SBA sets standards at the five-digit level, which produces the 62 five-digit standards [1]. Both criteria turn on how NAICS classifies industries. Neither measures whether the six-digit industries inside a group are alike in firm size, receipts, employment, capital intensity, or federal market concentration, which are the kinds of differences section 3(a)(3) asks a standard to reflect and section 3(a)(7) asks SBA to address industry by industry.

SBA asks commenters whether there are markets where the four-digit code is too general [1]. Table A reports its factors at the group level only, so a commenter cannot see from the record how the six-digit industries inside a group differ.

Request: For each four-digit group, show the values for its component six-digit industries on the factors SBA measured, so commenters can see how the industries inside a group differ.

How the methodology measures “not dominant in its field of operation”

The Small Business Act defines a small business concern as one that is independently owned and operated and not dominant in its field of operation [5]. SBA has designed the proposed methodology around that concept, scaling standards to average market size on the reasoning that a firm’s capacity to dominate depends on the size of the market it operates in and anchoring the scale at selected reference points expressed as implied market shares.

That is a reasonable way to approach the problem, and SBA did consider dominance. Average market size divides national industry size by the number of geographic markets, built from commuting zones, and adjusts for net imports [1]. The share of market size used as the standard also shrinks as markets grow, which SBA explains as allowing for niches that act as their own markets [1]. The question is whether that approach still works at the top

of the range, where the proposal produces its largest increases. Under the proposed table a firm in computer systems design could average up to \$531 million in annual receipts, and a firm in engineering services up to \$252 million, and still be small [3]. The first figure is above the \$500 million high anchor point. The formula has no explicit maximum, so it keeps rising past the high anchor [1].

The 2024 methodology included measures of federal contracting. The 2026 methodology uses three measures, national industry size, the number of geographic markets, and net imports, and none of them looks at the federal market [1]. SBA says the earlier factors “did not directly relate and in some cases led size standards astray” [3]. A firm’s share of federal awards in its line of work can be much larger than its share of the industry. I did not find any sensitivity testing of the anchor points in the methodology.

Request: Explain how SBA tested whether average market size, as SBA built it, captures dominance at the top of the range. Identify the evidence supporting the high anchor points and the 2.5 percent and 1.25 percent market shares SBA attaches to them [1] and report any sensitivity testing showing how the resulting standards would change under reasonable alternative anchors, a question SBA itself asks commenters [1]. SBA also asks for “potential additional avenues to ensure no dominant firms are captured” [1]. Assessing the federal market separately in industries with heavy federal spending is one. For the industry groups receiving the largest increases, identify the evidence supporting the conclusion that a firm at the proposed threshold is not dominant in its field of operation.

The productivity adjustment

Adjusting receipts-based standards for productivity growth as well as inflation is new. SBA raises receipts in its source data by 22.1 percent for inflation and productivity growth since March 2022. It sets the \$30.6 million receipts floor by carrying the 1954 standard of \$1 million forward with an index of GDP per employee. Inflation alone would put the floor at \$9.7 million [1]. SBA also states that, “Given the long gaps between the regular reviews,” it may adjust monetary standards “more frequently for inflation and productivity growth as it deems necessary” [1]. The methodology does not say what would make an adjustment necessary.

Request: State how SBA expects the \$30.6 million floor to change at future reviews, and the criteria SBA would apply in deciding to make a productivity adjustment between five-year reviews.

Age of the underlying data

SBA states that its data sources are presumed to be from 2022 unless noted, and that receipts values are raised by 22.1 percent to account for inflation and productivity growth since primary data collection in March 2022 [1]. Some inputs are newer. The county-level establishment, employment, and population data are from 2023 [1]. Others are older. The commuting flows used to build geographic markets are from 2016 to 2020, and the table behind the net import adjustment is from 2017 [1]. The 22.1 percent adjustment moves the dollar figures forward. It does not address whether the industry structure those figures describe, meaning the distribution of firms by size and the competitive relationships among them, remains representative. This proposal makes structural changes rather than a routine inflation adjustment, so the underlying structure matters more than it would in an ordinary update. I am not claiming the data are stale. I am asking SBA to show that they remain representative for this purpose.

Request: Describe how SBA evaluated whether the industry structure in its 2022, 2023, and earlier data remains representative for standards that would take effect only after a final rule, separately from the monetary adjustment, and identify any testing performed using more recent data, particularly for the industry groups receiving the largest increases.

Pairing employee-based standards with a receipts ceiling

The methodology recounts that in March 2004 SBA proposed to establish all size standards based on number of employees, and states that “For a number of industries, however, an employee based size standard could result in businesses with very high receipts but few employees to qualify as small,” and that “SBA, therefore, also proposed a maximum receipts size standard along with an employee size standard for certain industries” [1, 9]. The 2026 methodology converts 64 of the 338 proposed industry groups and industries from receipts to employees and pairs none of them with a receipts ceiling [1]. SBA made a related point more recently. In September 2024 it wrote that it uses receipts for construction-related industries because subcontracting is high there, and that “an employee-based size standard may lead to excessive subcontracting in those industries” [7]. The 2026 proposal converts construction groups to employee counts, including 600 employees for Nonresidential Building Construction (NAICS 2362) [3]. I develop this point in my comment in Docket No. SBA-2026-0199.

Request: Explain why the concern SBA identified in 2004, that an employee-based standard can allow firms with very high receipts and few employees to qualify as small, does not warrant the same response now, and consider a two-part test applying the employee standard together with a maximum receipts standard in industry groups converting from receipts to employees.

Wider effects that bear on the methodology

Three effects of the method fall outside the methodology document but should inform it. First, because agencies will be able to count awards to newly qualifying firms toward small business goals, including awards from unrestricted competition [3], a methodology that raises thresholds broadly can change reported federal achievement without any change in procurement behavior. Second, the section 121.201 standards are used by SBA financial assistance programs [10] and were incorporated by reference in first draw PPP eligibility [11, 12], so the method’s output reaches programs with different verification capacity than federal contracting. Third, a Census Bureau Center for Economic Studies working paper on past size standard increases reports that the smallest firms lost revenue and were less likely to survive afterward [13]. A revised version was issued in September 2026 as NBER Working Paper 35703 [8]. Neither document cites either version. I develop all three points in my comment in Docket No. SBA-2026-0199 and raise them here because they follow from the method itself, not only from the particular numbers.

Conclusion

The objectives behind this proposal are sound. Firms should not lose eligibility for succeeding, and classification disputes consume time and money for everyone involved. I am not arguing that SBA cannot raise size standards, and several elements of the proposal, including the move to employee-based measurement, address problems I saw in practice.

My comments go to the methodology record. Congress imposed specific requirements on size standard rulemaking in sections 3(a)(3), 3(a)(6), 3(a)(7), and 3(a)(8) of the Small Business Act, and this methodology touches each of them in ways that warrant a documented response. The requests above are directed at producing a record that shows how each grouping and threshold was derived, and why each satisfies those requirements.

Respectfully submitted,

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Sources

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- [2] U.S. Small Business Administration, “Small Business Size Standards,” extension of comment period, 91 Fed. Reg. 60524 (Sept. 24, 2026), Dockets SBA-2026-0199 and SBA-2026-0265. <https://www.federalregister.gov/documents/2026/09/24/2026-19546/small-business-size-standards>
- [3] U.S. Small Business Administration, “Small Business Size Standards,” proposed rule, 91 Fed. Reg. 53741 (Aug. 20, 2026), RIN 3245-AI67, Docket No. SBA-2026-0199. <https://www.federalregister.gov/documents/2026/08/20/2026-17042/small-business-size-standards>
- [4] U.S. Small Business Administration, “Small Business Size Standards: Monetary-Based Industry Size Standards,” proposed rule, 90 Fed. Reg. 41168 (Aug. 22, 2025), RIN 3245-AI12, Docket No. SBA-2025-0102. <https://www.federalregister.gov/documents/2025/08/22/2025-16142/small-business-size-standards-monetary-based-industry-size-standards>
- [5] 15 U.S.C. § 632(a). <https://www.law.cornell.edu/uscode/text/15/632>
- [6] U.S. Small Business Administration, Office of Advocacy, “Advocacy Supports SBA Size Standards Update,” Press Release SBA No. 26-20 ADV, Sept. 17, 2026. <https://advocacy.sba.gov/2026/09/17/advocacy-supports-sba-size-standards-update/>
- [7] U.S. Small Business Administration, “Small Business Size Standards: Revised Size Standards Methodology,” 89 Fed. Reg. 74109 (Sept. 12, 2024), FR Doc. 2024-20228, at 74110, 74117, 74124 to 74125. <https://www.federalregister.gov/documents/2024/09/12/2024-20228/small-business-size-standards-revised-size-standards-methodology>
- [8] J. David Brown, Matthew Denes, Ran Duchin, and John Hackney, “How Big is Small? The Economic Effects of Access to Small Business Government Support,” NBER Working Paper 35703 (Sept. 2026). <https://www.nber.org/papers/w35703>
- [9] U.S. Small Business Administration, “Small Business Size Standards; Restructuring of Size Standards,” proposed rule, 69 Fed. Reg. 13130 (Mar. 19, 2004). <https://www.federalregister.gov/documents/2004/03/19/04-5049/small-business-size-standards-restructuring-of-size-standards>
- [10] 13 CFR 121.301. <https://www.ecfr.gov/current/title-13/part-121/section-121.301>
- [11] 15 U.S.C. § 636(a)(36)(D). <https://www.law.cornell.edu/uscode/text/15/636>
- [12] U.S. Small Business Administration and Department of the Treasury, “Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act,” interim final rule, 86 Fed. Reg. 3692, 3695 (Jan. 14, 2021). <https://www.federalregister.gov/citation/86-FR-3692>
- [13] J. David Brown, Matthew Denes, Ran Duchin, and John Hackney, “How Big is Small? The Economic Effects of Access to Small Business Subsidies,” Working Paper CES-24-28, U.S. Census Bureau Center for Economic Studies (June 2024). CES working papers are not official Census Bureau positions. <https://www.census.gov/library/working-papers/2024/adrm/CES-WP-24-28.html>