

SMALL BUSINESS ADMINISTRATION**13 CFR Part 121****RIN 3245–AG88****Small Business Size Standards: Education Services; Health Care and Social Assistance; Arts, Entertainment and Recreation; Accommodation and Food Services; Other Services****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 Education Services; Health Care and Social Assistance; Arts, Entertainment and Recreation; Accommodation and Food Services; and Other Services. SBA proposes to increase size standards for 70 industries in those sectors, including 14 industries in NAICS Sector 61 (Education Services), 18 industries in Sector 62 (Health Care and Social Assistance), 11 industries in Sector 71 (Arts, Entertainment and Recreation), 4 industries in Sector 72 (Accommodation and Food Services), and 23 industries in Sector 81 (Other Services). SBA’s proposed revisions rely 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 January 26, 2021.

ADDRESSES: Identify your comments by RIN 3245–AG88 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:**Discussion of Size Standards**

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 2 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) requiring

SBA to review all size standards every 5 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 17 industries and 1 exception within NAICS Sector 61; 39 industries within Sector 62; 25 industries within Sector 71; 15 industries within Sector 72; and 48 industries within Sector 81. These reviews of receipts-based size standards occurred from 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 41 industries and 1 exception in these sectors. 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 77 of those industries, including 9 industries in Sector 61 (77 FR 58739, September 24, 2012), 28 industries in Sector 62 (77 FR 58755, September 24, 2012), 17 industries in Sector 71 (78 FR 37417, June 20, 2013), 5 industries in Sector 72 (75 FR 61604, October 6, 2010), and 18 industries in Sector 81 (75 FR 61591, October 6, 2010). SBA retained the existing size standards for the remaining 68 industries and 1 exception 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 size standards lowered	Number of size standards maintained
61	Education Services	18	9	0	9
62	Health Care and Social Assistance	39	28	0	11
71	Arts, Entertainment and Recreation	25	17	0	8
72	Accommodation and Food Services	15	5	0	10
81	Other Services	48	18	0	30
All Sectors ....	.....	145	77	0	68

Currently, there are 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). 16 of these size levels are based on average annual receipts, 9 are based on average number of employees, and 2 are based on other measures.

SBA also adjusts its monetary-based size standards for inflation at least once every 5 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 5 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 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, it 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 4 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 4 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 (see 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 5 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, and 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 5 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 2 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://rmmau.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 4 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 4 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 4 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 (<https://www.census.gov/programs-surveys/economic-census.html>). 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 4 and 8 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 Depository 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, 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 5 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 4 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 4 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 \$11.5 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% between the 20th percentile value (\$0.83 million) and the 80th percentile value (\$7.52 million) of simple average receipts $((\$1.9 \text{ million} - \$0.83 \text{ million}) \div (\$7.52 \text{ million} - \$0.83 \text{ million}) = 0.159$ 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 $((\$35.0 \text{ million} - \$8.0 \text{ million}) * 0.159) + \$8.0 \text{ million} = \$11.49 \text{ million}$. The final step is to round the calculated \$11.49 million size standard to the nearest \$500,000, which in this example yields \$11.5 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 on its website 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% went

to small businesses, and if that small businesses accounted for 40% of total receipts of that industry, the small business share of total Federal contract

dollars would be 25 percentage points 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 54 industries covered by this proposed rule—13 in Sector 61, 26 in Sector 62, 2 in Sector 71, 2 in Sector 72, and 11 in Sector 81—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 29 of these industries, prompting an upward adjustment of their existing size standards based on that factor. For the remaining 25 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 5 separate size standards based on evaluation of the 5 primary factors (*i.e.*, 4 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 5 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 2 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 (the size standard for average firm size is an average of size standards supported by simple average firm size and weighted average firm size), 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 on its website 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	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)
611110 Elementary and Secondary Schools	Factor	\$4.0	\$31.8	\$6.6	2.0	0.683	–48.4		
	Size Std.	20.5	8.5	41.5	\$6.0	\$7.5	\$19.0	\$17.5	\$12.0
611210 Junior Colleges	Factor	18.2	291.6	30.3	27.7	0.779	39.0		
	Size Std.	41.5	17.0	41.5	\$23.5	\$25.0	\$22.0	28.5	22.0
611310 Colleges, Universities, and Professional Schools	Factor	97.7	1,801.8	244.1	9.8	0.802	–1.2		
	Size Std.	41.5	41.5	41.5	\$9.5	\$29.0	\$30.0	30.5	30.0
611410 Business and Secretarial Schools	Factor	2.0	14.1	0.8	38.7	0.747			
	Size Std.	13.0	8.0	10.5	\$32.0	\$19.0		18.0	8.0
611420 Computer Training	Factor	1.3	27.3	0.5	18.8	0.774	3.8		
	Size Std.	9.5	8.5	8.5	\$16.5	\$24.0	\$12.0	14.0	12.0
611430 Professional and Management Development Training	Factor	1.2	25.6	0.6	7.8	0.762	–17.1		
	Size Std.	9.5	8.0	9.5	\$8.0	\$22.0	\$15.5	13.0	12.0
611511 Cosmetology and Barber Schools	Factor	1.4	28.9	1.1	19.9	0.678			
	Size Std.	10.0	8.5	12.5	\$17.5	\$6.5		11.5	8.0
611512 Flight Training	Factor	3.2	311.3	2.0	53.2	0.831	–3.7		
	Size Std.	17.5	17.5	17.5	\$41.5	\$34.5	\$30.0	28.0	30.0
611513 Apprenticeship Training	Factor	1.2	8.9	0.7	11.4	0.683	–57.1		
	Size Std.	9.5	7.5	10.0	\$10.5	\$7.5	\$13.0	10.0	8.0
611519 Other Technical and Trade Schools	Factor	2.3	105.2	1.6	18.0	0.815	–9.9		
	Size Std.	14.0	11.0	15.0	\$16.0	\$31.5	\$16.5	18.5	16.5
Exception, Job Corps Centers	Factor	166.5	1,031.7	116.2	83.5	0.686	20.3		
	Size Std.	41.5	41.5	41.5	\$41.5	\$19.0	\$41.5	37.0	41.5
611610 Fine Arts Schools	Factor	0.3	2.1	0.4	2.2	0.593			
	Size Std.	6.0	7.5	8.0	\$6.0	\$6.0		7.0	8.0
611620 Sports and Recreation Instruction	Factor	0.4	12.9	0.1	7.7	0.616			
	Size Std.	6.0	8.0	7.0	\$8.0	\$6.0		7.0	8.0
611630 Language Schools	Factor	1.1	64.3	0.5	35.4	0.804	19.9		
	Size Std.	9.0	9.5	9.0	\$29.5	\$29.5	\$12.0	18.0	12.0
611691 Exam Preparation and Tutoring	Factor	0.6	33.5	0.3	13.6	0.724	–36.1		
	Size Std.	7.0	8.5	7.5	\$12.5	\$15.0	\$13.0	11.0	8.0
611692 Automobile Driving Schools	Factor	0.3	4.2	0.2	13.5	0.639	–50.3		
	Size Std.	6.0	7.5	7.0	\$12.5	\$6.0	\$13.0	9.0	8.0
611699 All Other Miscellaneous Schools and Instruc- tion	Factor	0.7	64.0	0.6	23.6	0.760	–5.5		
	Size Std.	7.5	9.5	9.5	\$20.5	\$21.5	\$12.0	14.5	12.0
611710 Educational Support Services	Factor	1.9	308.3	1.6	28.7	0.829	–1.7		
	Size Std.	12.0	17.5	15.0	\$24.5	\$34.0	\$16.5	21.0	16.5
621111 Offices of Physicians (except Mental Health Specialists)	Factor	2.3	523.8	0.4	5.5	0.739	–37.6		
	Size Std.	14.0	25.0	8.0	\$6.0	\$17.5	\$19.0	14.0	12.0
621112 Offices of Physicians, Mental Health Special- ists	Factor	0.5	4.2	0.1	3.7	0.583	–12.3		
	Size Std.	6.5	7.5	6.5	\$6.0	\$6.0	\$15.5	8.0	12.0
621210 Offices of Dentists	Factor	0.8	19.1	0.3	2.0	0.482	–22.5	7.5	8.0
	Size Std.	8.0	8.0	7.5	\$6.0	\$6.0	\$10.5		
621310 Offices of Chiropractors	Factor	0.3	1.0	0.1	0.8	0.469		6.5	8.0
	Size Std.	6.0	7.5	6.5	\$6.0	\$6.0			

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)
621320 Offices of Optometrists	Factor	0.6	2.7	0.1	1.4	0.502	.....	6.5	8.0
	Size Std.	7.0	7.5	7.0	\$6.0	\$6.0			
621330 Offices of Mental Health Practitioners (except Physicians)	Factor	0.4	5.5	0.1	3.2	0.681	14.5	7.0	8.0
	Size Std.	6.0	7.5	6.5	\$6.0	\$7.0	\$8.0		
621340 Offices of Physical, Occupational and Speech Therapists, and Audiologists	Factor	1.0	152.5	0.2	13.4	0.726	–25.2	11.0	8.0
	Size Std.	8.5	12.5	7.0	\$12.5	\$15.5	\$10.5		
621391 Offices of Podiatrists	Factor	0.5	1.5	0.1	1.2	0.492	.....	6.5	8.0
	Size Std.	7.0	7.5	6.5	\$6.0	\$6.0			
621399 Offices of All Other Miscellaneous Health Prac- titioners	Factor	0.4	111.1	0.1	16.1	0.681	–8.5	9.0	8.0
	Size Std.	6.5	11.0	6.5	\$14.5	\$7.0	\$8.0		
621410 Family Planning Centers	Factor	1.6	32.9	1.1	18.0	0.793	.....	16.5	12.0
	Size Std.	11.0	8.5	12.5	\$16.0	\$27.5			
621420 Outpatient Mental Health and Substance Abuse Centers	Factor	3.0	19.7	1.7	3.4	0.728	–13.9	14.0	16.5
	Size Std.	16.5	8.0	16.0	\$6.0	\$15.5	\$20.0		
621491 HMO Medical Centers	Factor	410.2	3,312.1	157.8	93.6	0.817	.....	39.0	35.0
	Size Std.	41.5	41.5	41.5	\$41.5	\$32.0			
621492 Kidney Dialysis Centers	Factor	37.2	5,760.6	18.6	86.2	0.870	–6.1	41.5	41.5
	Size Std.	41.5	41.5	41.5	\$41.5	\$41.5			
621493 Freestanding Ambulatory Surgical and Emer- gency Centers	Factor	5.3	198.9	2.1	16.3	0.693	.....	15.5	16.5
	Size Std.	26.0	14.0	18.0	\$14.5	\$9.5			
621498 All Other Outpatient Care Centers	Factor	6.6	208.7	3.5	9.5	0.801	–13.4	22.5	22.0
	Size Std.	31.5	14.5	25.5	\$9.5	\$29.0	\$26.5		
621511 Medical Laboratories	Factor	9.7	2,287.8	4.1	42.4	0.842	–14.2	36.5	35.0
	Size Std.	41.5	41.5	28.5	\$35.0	\$36.5	\$40.5		
621512 Diagnostic Imaging Centers	Factor	3.4	56.0	1.5	7.4	0.759	32.3	15.0	16.5
	Size Std.	18.5	9.0	14.5	\$7.5	\$21.5	\$16.5		
621610 Home Health Care Services	Factor	3.0	249.7	0.9	9.4	0.796	17.9	16.5	16.5
	Size Std.	17.0	15.5	11.5	\$9.0	\$28.0	\$16.5		
621910 Ambulance Services	Factor	3.9	337.1	1.8	29.1	0.777	–6.5	20.0	16.5
	Size Std.	20.5	18.5	16.0	\$24.5	\$24.5	\$16.5		
621991 Blood and Organ Banks	Factor	30.7	607.1	27.9	34.6	0.796	–14.6	34.5	35.0
	Size Std.	41.5	27.5	41.5	\$29.0	\$28.0	\$40.5		
621999 All Other Miscellaneous Ambulatory Health Care Services	Factor	2.7	119.6	1.4	18.3	0.814	29.4	18.0	16.5
	Size Std.	15.5	11.5	13.5	\$16.0	\$31.0	\$16.5		
622110 General Medical and Surgical Hospitals	Factor	288.5	3,522.1	262.2	8.8	0.733	62.0	30.0	41.5
	Size Std.	41.5	41.5	41.5	\$8.5	\$16.5	\$41.5		
622210 Psychiatric and Substance Abuse Hospitals	Factor	49.7	414.3	33.2	17.2	0.546	.....	23.5	41.5
	Size Std.	41.5	21.0	41.5	\$15.5	\$6.0			
622310 Specialty (except Psychiatric and Substance Abuse) Hospitals	Factor	113.3	1,124.0	81.0	27.2	0.713	.....	30.0	41.5
	Size Std.	41.5	41.5	41.5	\$23.0	\$13.0			
623110 Nursing Care Facilities (Skilled Nursing Facili- ties)	Factor	12.7	512.2	8.5	11.2	0.694	–2.8	25.0	30.0
	Size Std.	41.5	24.5	41.5	\$10.5	\$9.5	\$30.0		
623210 Residential Intellectual and Developmental Dis- ability Facilities	Factor	3.5	85.6	2.3	9.9	0.749	.....	15.5	16.5
	Size Std.	19.0	10.0	19.0	\$9.5	\$19.5			
623220 Residential Mental Health and Substance Abuse Facilities	Factor	3.2	52.7	2.3	8.9	0.701	–40.4	15.0	16.5
	Size Std.	17.5	9.0	19.0	\$9.0	\$11.0	\$23.0		
623311 Continuing Care Retirement Communities	Factor	7.9	99.3	19.9	8.5	0.733	.....	22.5	30.0
	Size Std.	36.5	10.5	41.5	\$8.5	\$16.5			
623312 Assisted Living Facilities for the Elderly	Factor	1.8	389.5	2.6	22.7	0.779	.....	20.5	12.0
	Size Std.	12.0	20.5	20.5	\$19.5	\$25.0			
623990 Other Residential Care Facilities	Factor	2.6	24.0	2.0	6.4	0.730	–31.9	14.0	12.0
	Size Std.	15.0	8.0	17.5	\$7.0	\$16.0	\$19.0		
624110 Child and Youth Services	Factor	1.5	23.1	1.1	4.5	0.759	–42.9	13.5	12.0
	Size Std.	11.0	8.0	12.0	\$6.0	\$21.5	\$19.0		
624120 Services for the Elderly and Persons with Dis- abilities	Factor	1.7	45.3	1.1	3.5	0.761	–27.5	13.0	12.0
	Size Std.	11.5	9.0	12.0	\$6.0	\$21.5	\$15.5		
624190 Other Individual and Family Services	Factor	1.4	83.1	1.1	6.9	0.777	–20.5	14.0	12.0
	Size Std.	10.5	10.0	12.0	\$7.0	\$24.5	\$15.5		
624210 Community Food Services	Factor	2.6	38.6	2.2	6.0	0.816	.....	17.0	12.0
	Size Std.	15.0	8.5	18.0	\$6.5	\$31.5			
624221 Temporary Shelters	Factor	1.4	11.0	2.0	5.9	0.623	–55.9	11.5	12.0
	Size Std.	10.0	7.5	17.0	\$6.5	\$6.0	\$19.0		
624229 Other Community Housing Services	Factor	1.8	48.0	3.6	14.1	0.692	–54.1	16.5	6.5
	Size Std.	12.0	9.0	26.0	\$13.0	\$9.0	\$23.0		
624230 Emergency and Other Relief Services	Factor	13.9	478.8	13.9	37.9	0.878	23.8	36.5	35.0
	Size Std.	41.5	23.5	41.5	\$31.5	\$41.5	\$35.0		
624310 Vocational Rehabilitation Services	Factor	2.9	48.1	1.8	8.3	0.728	.....	13.0	12.0
	Size Std.	16.5	9.0	16.5	\$8.5	\$15.5	\$12.0		
624410 Child Day Care Services	Factor	0.5	93.8	0.2	8.4	0.687	.....	8.5	8.0
	Size Std.	7.0	10.5	7.0	\$8.5	\$8.5			
711110 Theater Companies and Dinner Theaters	Factor	2.2	106.8	3.2	19.7	0.791	.....	20.0	22.0
	Size Std.	13.5	11.0	23.5	\$17.5	\$27.0			
711120 Dance Companies	Factor	1.4	15.6	0.7	24.7	0.771	.....	16.0	12.0
	Size Std.	10.0	8.0	10.0	\$21.0	\$23.5			
711130 Musical Groups and Artists	Factor	1.1	20.6	1.0	7.4	0.772	.....	13.0	12.0
	Size Std.	9.0	8.0	12.0	\$7.5	\$23.5			
711190 Other Performing Arts Companies	Factor	3.9	454.6	2.1	71.4	0.850	.....	29.5	30.0
	Size Std.	20.5	22.5	17.5	\$41.5	\$38.0			
711211 Sports Teams and Clubs	Factor	25.9	218.1	21.6	8.2	0.858	.....	29.5	41.5
	Size Std.	41.5	14.5	41.5	\$8.0	\$39.5			
711212 Racetracks	Factor	12.8	256.3	10.7	26.0	0.865	.....	33.5	41.5
	Size Std.	41.5	16.0	41.5	\$22.0	\$40.5			
711219 Other Spectator Sports	Factor	1.3	43.9	0.9	18.8	0.761	.....	14.5	12.0
	Size Std.	9.5	9.0	11.0	\$16.5	\$21.5			
711310 Promoters of Performing Arts, Sports, and Similar Events with Facilities	Factor	3.9	173.1	3.6	21.5	0.815	.....	23.5	35.0
	Size Std.	20.5	13.0	26.0	\$18.5	\$31.5			
711320 Promoters of Performing Arts, Sports, and Similar Events without Facilities	Factor	2.1	274.6	0.9	29.3	0.791	.....	19.5	16.5
	Size Std.	13.0	16.5	11.0	\$25.0	\$27.0			

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)
711410 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures.	Factor	1.6	94.9	0.7	22.3	0.761		15.5	12.0
	Size Std.	11.0	10.5	10.0	\$19.5	\$21.5			
711510 Independent Artists, Writers, and Performers ...	Factor	0.7	9.5	0.2	2.0	0.704	10.3	8.0	8.0
	Size Std.	7.5	7.5	7.5	\$6.0	\$11.5	\$8.0		
712110 Museums	Factor	1.9	58.9	6.3	10.9	0.811	– 16.8	25.5	30.0
	Size Std.	12.5	9.5	41.5	\$10.5	\$31.0	\$34.5		
712120 Historical Sites	Factor	0.7	7.5	0.9	15.1	0.716		11.5	8.0
	Size Std.	7.5	7.5	11.0	\$13.5	\$13.5			
712130 Zoos and Botanical Gardens	Factor	5.3	52.7	10.7	17.5	0.778		25.0	30.0
	Size Std.	26.0	9.0	41.5	\$15.5	\$24.5			
712190 Nature Parks and Other Similar Institutions	Factor	1.5	19.2	1.8	26.1	0.748		17.0	8.0
	Size Std.	10.5	8.0	16.0	\$22.5	\$19.5			
713110 Amusement and Theme Parks	Factor	34.9	2,658.3	29.1	72.1	0.877		41.5	41.5
	Size Std.	41.5	41.5	41.5	\$41.5	\$41.5			
713120 Amusement Arcades	Factor	0.7	7.4	0.5	9.5	0.658		8.0	8.0
	Size Std.	7.5	7.5	9.0	\$9.5	\$6.0			
713210 Casinos (except Casino Hotels)	Factor	69.1	319.9	57.6	19.4	0.700		25.0	30.0
	Size Std.	41.5	18.0	41.5	\$17.0	\$10.5			
713290 Other Gambling Industries	Factor	5.0	191.4	4.5	21.3	0.815		25.0	35.0
	Size Std.	24.5	13.5	31.5	\$18.5	\$31.5			
713910 Golf Courses and Country Clubs	Factor	1.9	35.5	2.8	6.3	0.664		11.0	16.5
	Size Std.	12.5	8.5	21.5	\$6.5	\$6.0			
713920 Skiing Facilities	Factor	6.5	160.1	7.2	39.6	0.792		31.0	30.0
	Size Std.	31.0	12.5	41.5	\$33.0	\$27.5			
713930 Marinas	Factor	1.1	7.3	1.8	5.7	0.612		9.5	8.0
	Size Std.	9.0	7.5	16.0	\$6.5	\$6.0			
713940 Fitness and Recreational Sports Centers	Factor	1.0	220.5	0.9	17.4	0.772		15.5	8.0
	Size Std.	8.5	14.5	11.0	\$15.5	\$23.5			
713950 Bowling Centers	Factor	0.9	65.9	0.7	22.7	0.630		11.0	8.0
	Size Std.	8.0	9.5	10.0	\$19.5	\$6.0			
713990 All Other Amusement and Recreation Industries.	Factor	0.5	6.5	0.4	3.4	0.658		7.0	8.0
	Size Std.	7.0	7.5	8.5	\$6.0	\$6.0			
721110 Hotels (except Casino Hotels) and Motels	Factor	3.5	1,805.2	7.0	19.7	0.792	7.4	30.5	35.0
	Size Std.	18.5	41.5	41.5	\$17.5	\$27.5	\$35.0		
721120 Casino Hotels	Factor	241.7	2,353.8	241.7	34.3	0.708		31.0	35.0
	Size Std.	41.5	41.5	41.5	\$28.5	\$12.0			
721191 Bed-and-Breakfast Inns	Factor	0.4	1.4	0.2	3.9	0.558		6.5	8.0
	Size Std.	6.0	7.5	7.5	\$6.0	\$6.0			
721199 All Other Traveler Accommodation	Factor	0.5	4.2	0.3	11.2	0.624		8.0	8.0
	Size Std.	6.5	7.5	7.5	\$10.5	\$6.0			
721211 RV (Recreational Vehicle) Parks and Campgrounds.	Factor	0.6	10.3	0.9	10.4	0.613		9.0	38.0
	Size Std.	7.0	7.5	11.5	\$10.0	\$6.0			
721214 Recreational and Vacation Camps (except Campgrounds).	Factor	0.9	5.1	1.0	5.5	0.624		8.0	8.0
	Size Std.	8.5	7.5	12.0	\$6.0	\$6.0			
721310 Rooming and Boarding Houses, Dormitories, and Workers' Camps.	Factor	0.7	22.8	2.3	21.0	0.639		12.5	8.0
	Size Std.	7.5	8.0	18.5	\$18.0	\$6.0			
722310 Food Service Contractors	Factor	12.2	4,854.8	3.4	66.6	0.882	11.5	38.0	41.5
	Size Std.	41.5	41.5	25.0	\$41.5	\$41.5			
722320 Caterers	Factor	0.8	5.2	0.2	1.8	0.676		6.5	8.0
	Size Std.	7.5	7.5	7.0	\$6.0	\$6.0			
722330 Mobile Food Services	Factor	0.2	1.9	0.1	6.8	0.668		6.5	8.0
	Size Std.	6.0	7.5	6.5	\$7.0	\$6.0			
722410 Drinking Places (Alcoholic Beverages)	Factor	0.5	6.6	0.2	2.5	0.598		6.5	8.0
	Size Std.	6.5	7.5	7.0	\$6.0	\$6.0			
722511 Full-Service Restaurants	Factor	1.1	562.0	0.3	7.9	0.668		10.0	8.0
	Size Std.	9.0	26.0	7.5	\$8.0	\$6.0			
722513 Limited-Service Restaurants	Factor	1.3	293.4	0.4	6.2	0.731		11.0	12.0
	Size Std.	10.0	17.0	8.5	\$6.5	\$16.0			
722514 Cafeterias, Grill Buffets, and Buffets	Factor	1.4	208.6	0.4	29.5	0.731		15.5	30.0
	Size Std.	10.0	14.5	8.5	\$25.0	\$16.5			
722515 Snack and Nonalcoholic Beverage Bars	Factor	0.8	2,361.1	0.3	35.9	0.732		20.0	8.0
	Size Std.	8.0	41.5	8.0	\$30.0	\$16.5			
811111 General Automotive Repair	Factor	0.5	8.3	0.1	2.0	0.540	– 79.9	8.0	8.0
	Size Std.	7.0	7.5	7.0	\$6.0	\$6.0	\$13.0		
811112 Automotive Exhaust System Repair	Factor	0.4	4.2	0.1	8.9	0.512		7.0	8.0
	Size Std.	6.0	7.5	6.5	\$8.5	\$6.0			
811113 Automotive Transmission Repair	Factor	0.5	3.6	0.1	5.0	0.488		6.5	8.0
	Size Std.	6.5	7.5	6.5	\$6.0	\$6.0			
811118 Other Automotive Mechanical and Electrical Repair and Maintenance.	Factor	0.5	8.5	0.2	10.6	0.589		7.5	8.0
	Size Std.	6.5	7.5	7.0	\$10.0	\$6.0			
811121 Automotive Body, Paint, and Interior Repair and Maintenance.	Factor	0.9	21.6	0.2	4.5	0.617		7.0	8.0
	Size Std.	8.0	8.0	7.0	\$6.0	\$6.0			
811122 Automotive Glass Replacement Shops	Factor	0.7	333.2	0.3	35.5	0.701		15.5	12.0
	Size Std.	7.5	18.5	7.5	\$29.5	\$11.0			
811191 Automotive Oil Change and Lubrication Shops	Factor	1.0	49.6	0.4	16.1	0.663		9.5	8.0
	Size Std.	8.5	9.0	8.5	\$14.5	\$6.0			
811192 Car Washes	Factor	0.5	17.8	0.7	8.2	0.646		8.0	8.0
	Size Std.	7.0	8.0	10.0	\$8.0	\$6.0			
811198 All Other Automotive Repair and Maintenance	Factor	0.5	17.0	0.2	17.5	0.666		9.0	8.0
	Size Std.	6.5	8.0	7.0	\$15.5	\$6.0			
811211 Consumer Electronics Repair and Maintenance	Factor	1.0	191.4	0.4	50.4	0.802		22.5	8.0
	Size Std.	8.5	13.5	8.0	\$41.5	\$29.0			
811212 Computer and Office Machine Repair and Maintenance.	Factor	1.0	50.5	0.4	14.1	0.790	15.8	17.5	30.0
	Size Std.	8.5	9.0	8.0	\$13.0	\$27.0	\$30.0		
811213 Communication Equipment Repair and Maintenance.	Factor	1.9	158.3	0.7	38.4	0.791	– 27.9	19.5	12.0
	Size Std.	12.5	12.5	9.5	\$32.0	\$27.0	\$15.5		
811219 Other Electronic and Precision Equipment Repair and Maintenance.	Factor	2.3	265.7	0.8	35.1	0.795	– 19.2	22.0	22.0
	Size Std.	14.0	16.0	10.5	\$29.5	\$28.0	\$26.5		

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	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)
811310 Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance.	Factor Size Std.	1.6 11.0	63.8 9.5	0.6 9.5	4.9 \$6.0	0.750 \$19.5	– 10.7 \$10.5	11.0	8.0
811411 Home and Garden Equipment Repair and Maintenance.	Factor Size Std.	0.3 6.0	2.4 7.5	0.1 6.5	9.2 \$9.0	0.557 \$6.0	.....	7.0	8.0
811412 Appliance Repair and Maintenance	Factor Size Std.	0.5 6.5	137.5 12.0	0.2 7.0	31.6 \$26.5	0.670 \$6.0	.....	12.5	16.5
811420 Reupholstery and Furniture Repair	Factor Size Std.	0.3 6.0	1.1 7.5	0.1 6.5	3.6 \$6.0	0.555 \$6.0	.....	6.5	8.0
811430 Footwear and Leather Goods Repair	Factor Size Std.	0.2 6.0	1.0 7.5	0.1 6.5	10.4 \$10.0	0.521 \$6.0	.....	7.5	8.0
811490 Other Personal and Household Goods Repair and Maintenance.	Factor Size Std.	0.3 6.0	2.4 7.5	0.1 6.5	2.9 \$6.0	0.607 \$6.0	.....	6.5	8.0
812111 Barber Shops	Factor Size Std.	0.2 6.0	7.3 7.5	0.0 6.5	15.6 \$14.0	0.612 \$6.0	.....	8.5	8.0
812112 Beauty Salons	Factor Size Std.	0.3 6.0	162.0 12.5	0.1 6.5	12.3 \$11.5	0.653 \$6.0	.....	8.5	8.0
812113 Nail Salons	Factor Size Std.	0.2 6.0	0.4 7.5	0.0 6.5	0.7 \$6.0	0.480 \$6.0	.....	6.5	8.0
812191 Diet and Weight Reducing Centers	Factor Size Std.	1.5 11.0	355.8 19.0	0.4 8.5	61.1 \$41.5	0.814 \$31.5	.....	24.0	22.0
812199 Other Personal Care Services	Factor Size Std.	0.3 6.0	6.5 7.5	0.1 6.5	5.5 \$6.0	0.660 \$6.0	.....	6.5	8.0
812210 Funeral Homes and Funeral Services	Factor Size Std.	1.1 9.5	205.9 14.0	0.9 11.0	15.7 \$14.0	0.550 \$6.0	.....	11.0	8.0
812220 Cemeteries and Crematories	Factor Size Std.	0.8 8.0	121.2 11.5	1.2 12.5	30.1 \$25.5	0.786 \$26.0	.....	18.5	22.0
812310 Coin-Operated Laundries and Drycleaners	Factor Size Std.	0.4 6.0	87.4 10.5	0.2 7.5	28.5 \$24.0	0.626 \$6.0	.....	11.5	8.0
812320 Dry cleaning and Laundry Services (except Coin-Operated).	Factor Size Std.	0.4 6.0	2.7 7.5	0.2 7.0	1.5 \$6.0	0.564 \$6.0	– 20.0 \$8.0	7.0	6.0
812331 Linen Supply	Factor Size Std.	8.7 39.5	374.0 20.0	4.3 30.0	46.4 \$38.0	0.808 \$30.0	.....	32.0	35.0
812332 Industrial Launderers	Factor Size Std.	16.8 41.5	1,478.3 41.5	9.3 41.5	72.2 \$41.5	0.839 \$36.0	32.8 \$41.5	40.5	41.5
812910 Pet Care (except Veterinary) Services	Factor Size Std.	0.2 6.0	2.3 7.5	0.1 6.5	3.8 \$6.0	0.575 \$6.0	.....	6.5	8.0
812921 Photofinishing Laboratories (except One-Hour)	Factor Size Std.	2.6 15.0	299.5 17.5	0.8 10.5	64.4 \$41.5	0.833 \$34.5	.....	26.0	22.0
812922 One-Hour Photofinishing	Factor Size Std.	0.3 6.0	10.2 7.5	0.1 6.5	50.1 \$41.0	0.690 \$9.0	.....	16.0	16.5
812930 Parking Lots and Garages	Factor Size Std.	2.6 15.0	211.8 14.5	1.6 15.0	29.2 \$24.5	0.811 \$30.5	9.7 \$41.5	25.5	41.5
812990 All Other Personal Services	Factor Size Std.	0.6 7.0	85.4 10.0	0.2 7.0	21.5 \$18.5	0.745 \$19.0	– 56.8 \$13.0	13.0	8.0
813110 Religious Organizations	Factor Size Std.	0.7 7.5	59.2 9.5	2.3 19.0	3.2 \$6.0	0.706 \$11.5	.....	11.5	8.0
813211 Grantmaking Foundations	Factor Size Std.	5.6 27.5	815.3 34.5	18.8 41.5	.....	0.821 \$32.5	.....	35.0	35.0
813212 Voluntary Health Organizations	Factor Size Std.	5.9 28.5	386.9 20.0	3.9 28.0	23.5 \$20.0	0.841 \$36.0	.....	27.0	30.0
813219 Other Grantmaking and Giving Services	Factor Size Std.	3.5 19.0	97.1 10.5	5.0 34.0	12.2 \$11.5	0.807 \$30.0	.....	22.5	41.5
813311 Human Rights Organizations	Factor Size Std.	2.7 15.5	352.9 19.0	3.4 25.0	35.1 \$29.5	0.822 \$33.0	– 33.1 \$37.5	28.5	30.0
813312 Environment, Conservation and Wildlife Organizations.	Factor Size Std.	1.6 11.0	131.6 11.5	2.2 18.5	16.4 \$14.5	0.774 \$24.0	.....	17.0	16.5
813319 Other Social Advocacy Organizations	Factor Size Std.	1.4 10.0	92.8 10.5	1.4 13.5	17.5 \$15.5	0.776 \$24.5	.....	16.0	8.0
813410 Civic and Social Organizations	Factor Size Std.	0.6 7.0	12.5 8.0	1.1 12.0	3.0 \$6.0	0.684 \$8.0	.....	8.5	8.0
813910 Business Associations	Factor Size Std.	1.5 10.5	46.1 9.0	1.5 14.5	5.1 \$6.0	0.772 \$23.5	.....	13.5	8.0
813920 Professional Organizations	Factor Size Std.	2.8 16.0	92.6 10.5	4.0 28.5	9.5 \$9.0	0.792 \$27.5	– 39.7 \$23.0	20.5	16.5
813930 Labor Unions and Similar Labor Organizations	Factor Size Std.	1.2 9.5	41.2 8.5	1.5 14.5	5.1 \$6.0	0.797 \$28.0	.....	14.5	8.0
813940 Political Organizations	Factor Size Std.	0.8 8.0	19.6 8.0	0.7 10.0	14.0 \$12.5	0.753 \$20.0	.....	12.5	8.0
813990 Other Similar Organizations (except Business, Professional, Labor, and Political Organizations).	Factor Size Std.	1.1 9.0	103.8 11.0	1.1 12.0	10.6 \$10.0	0.729 \$16.0	.....	12.0	8.0

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 1 exception covered by this rule using the procedures described in the revised

SBA’s Methodology. The results of that analysis are discussed in the following subsection.

Exception to NAICS 611519: Job Corps Centers

The current size standard for Federal contracts for Job Corps Centers (exception to NAICS 611519, Other

Technical and Trade Schools) is \$41.5 million in average annual receipts. For Federal procurement programs, this size standard applies to Federal contracts that meet specific criteria. The criteria required of a Jobs Corps Center contract or SBA-recognized operator are detailed in Footnote 16 to SBA’s table of size standards (13 CFR 121.201): “For

classifying a Federal procurement, the purpose of the solicitation must be for the management and operation of a U.S. Department of Labor Job Corps Center. The activities involved include admissions activities, life skills training, educational activities, comprehensive career preparation activities, career development activities, career transition activities, as well as the management and support functions and services needed to operate and maintain the facility. For SBA assistance as a small business concern, other than for Federal Government procurements, a concern must be primarily engaged in providing the services to operate and maintain Federal Job Corps Centers.”

As noted previously, the data from the Economic Census special tabulation are limited to the 6-digit NAICS industry level and hence do not provide data to assess economic characteristics at the sub-industry level. For example, the Economic Census data for NAICS 611519 are aggregates of both Other Technical and Trade Schools and the more specialized establishments under the Job Corps exception. The lack of relevant data at the sub-industry level is a challenge to determining whether the size standard for the exception should be revised or left unchanged. Thus, the results based on the Economic Census data alone may not accurately reflect the characteristics of businesses providing specialized services included under the exception.

To determine whether the Agency should propose revising the exception

under NAICS 611519, SBA analyzed data from the U.S. Department of Labor (DOL) website which includes a listing of Job Corps centers and their operators (available at <https://www.dol.gov/agencies/eta/jobcorps/contact>). SBA found that there were 23 non-governmental operators listed on the DOL website. SBA also evaluated the data from FPDS-NG and SAM. From FPDS-NG, SBA first identified firms that have a principal NAICS code of 611519. SBA then identified Product and Service Codes (PSCs) that correspond to the Job Corps Center exception by filtering the data for contracts awarded to private firms providing job corps services. SBA identified 7 PSCs from this search, namely: M1CZ—*Operation Of Other Educational Buildings*, U006—*Education/Training- Vocational/ Technical*, M139—*Operation of Govt Other Educational Buildings*, U099—*Education/Training- Other*, U009—*Education/Training- General*, 7610—*Books And Pamphlets* and U008—*Education/Training- Training/ Curriculum Development*. Using this method, SBA identified 35 firms (including the firms listed on the DOL website) that had a principal NAICS code of 611519 and were active in Federal contracting involving the identified PSCs. For fiscal years 2016–2018, the total average contract dollars obligated under these PSCs was \$436.3 million. However, since the additional 11 operators from FPDS-NG were not

included in the list of operators from the DOL website, SBA did not include them in its analysis of industry and Federal procurement factors for this NAICS exception. The average total contract dollars obligated under the identified PSCs to the list of operators from only the DOL website was \$401.4 million, which represents 92% of the total dollars obligated to Jobs Corps Centers. SBA’s analysis did not include firms that were considered outliers based on net de-obligations for each year of the analysis period and those with extremely large operating revenues.

The results from SBA’s analysis are presented in Table 4 of this proposed rule. The analysis supports decreasing the current size standard to \$37.0 million. However, for reasons discussed below in the special considerations section, SBA proposes to retain the \$41.5 million size standard.

Summary of Calculated Size Standards

Of the 144 industries and one subindustry (*i.e.* exception) reviewed in this proposed rule, the results from analyses of the latest available data on the 5 primary factors from Table 4, Size Standards Supported by Each Factor for Each Industry (millions of dollars), above, would support increasing size standards for 70 industries, decreasing size standards for 63 industries, and maintaining size standards for 12 industries. Table 5, Summary of Calculated Size Standards, summarizes these results by NAICS sector.

TABLE 5—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
61	Education Services	18	14	4	0
62	Health Care and Social Assistance	39	18	18	3
71	Arts, Entertainment and Recreation	25	11	11	3
72	Accommodation and Food Services	15	4	9	2
81	Other Services	48	23	21	4
All Sectors ....	.....	145	70	63	12

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 99.3% 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 145 industries or subindustries (exceptions) with receipts-based size standards in Sectors 61, 62, 71, 72 and 81 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 70 industries, and retain the current size standards for the remaining 75 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% 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%, and the personal consumption in goods and services decreased 6.9% in the first quarter of 2020. The Bureau of Economic Analysis (BEA) third estimate for the second quarter of 2020 shows that the GDP decreased 31.4%, and the personal consumption in goods and services decreased 33.2%; In August 2020, personal income decreased 2.7%, after having decreased by a lower percentage in June (1.2%) and slightly increased in July 2020 (0.5%). In September 2020, the unemployment rate declined to 7.9% from August 2020, when the unemployment rate was 8.4%. After reaching 14.7% in April 2020, the

unemployment rate has been decreasing from May to September 2020, but still it is greater than in February 2020 when it was 3.5%. For the month of September 2020, non-farm payroll increased 661,000 from August 2020, but the decrease in employment since February 2020 is about 10.5 million. Specifically, for the sectors evaluated in this proposed rule, in September 2020 the unemployment rate for Education and Health Services industries was 5.1%, the Leisure and Hospitality industries showed an unemployment rate of 19.0% and the Other Services sector, in September 2019, the unemployment rates for these sectors were 2.2%, 4.8% and 3.2%, respectively. The latest Federal Reserve Board's Monetary Policy Report shows that in general the most impacted firms in these sectors are the 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 70 industries and retain the current size standards for 63 industries for which analytical results suggested their size standards could be lowered.

The proposed size standards are presented in Table 6, Proposed Size Standards Revisions. Also presented in Table 6 are current and calculated size standards for comparison.

TABLE 6—PROPOSED SIZE STANDARDS REVISIONS

NAICS code	NAICS industry title	Calculated size standard (\$ million)	Proposed size standard (\$ million)	Current size standard (\$ million)
611110	Elementary and Secondary Schools	\$17.5	\$17.5	\$12.0
611210	Junior Colleges	28.5	28.5	22.0
611310	Colleges, Universities, and Professional Schools	30.5	30.5	30.0
611410	Business and Secretarial Schools	18.0	18.0	8.0
611420	Computer Training	14.0	14.0	12.0
611430	Professional and Management Development Training	13.0	13.0	12.0
611511	Cosmetology and Barber Schools	11.5	11.5	8.0
611512	Flight Training	28.0	30.0	30.0
611513	Apprenticeship Training	10.0	10.0	8.0
611519	Other Technical and Trade Schools	18.5	18.5	16.5
Exception 611519	Job Corps Centers	37.0	41.5	41.5
611610	Fine Arts Schools	7.0	8.0	8.0
611620	Sports and Recreation Instruction	7.0	8.0	8.0
611630	Language Schools	18.0	18.0	12.0
611691	Exam Preparation and Tutoring	11.0	11.0	8.0
611692	Automobile Driving Schools	9.0	9.0	8.0
611699	All Other Miscellaneous Schools and Instruction	14.5	14.5	12.0
611710	Educational Support Services	21.0	21.0	16.5
621111	Offices of Physicians (except Mental Health Specialists)	14.0	14.0	12.0
621112	Offices of Physicians, Mental Health Specialists	8.0	12.0	12.0

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, see <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 6—PROPOSED SIZE STANDARDS REVISIONS—Continued

NAICS code	NAICS industry title	Calculated size standard (\$ million)	Proposed size standard (\$ million)	Current size standard (\$ million)
621210	Offices of Dentists	7.5	8.0	8.0
621310	Offices of Chiropractors	6.5	8.0	8.0
621320	Offices of Optometrists	6.5	8.0	8.0
621330	Offices of Mental Health Practitioners (except Physicians)	7.0	8.0	8.0
621340	Offices of Physical, Occupational and Speech Therapists, and Audiologists.	11.0	11.0	8.0
621391	Offices of Podiatrists	6.5	8.0	8.0
621399	Offices of All Other Miscellaneous Health Practitioners	9.0	9.0	8.0
621410	Family Planning Centers	16.5	16.5	12.0
621420	Outpatient Mental Health and Substance Abuse Centers	14.0	16.5	16.5
621491	HMO Medical Centers	39.0	39.0	35.0
621492	Kidney Dialysis Centers	41.5	41.5	41.5
621493	Freestanding Ambulatory Surgical and Emergency Centers	15.5	16.5	16.5
621498	All Other Outpatient Care Centers	22.5	22.5	22.0
621511	Medical Laboratories	36.5	36.5	35.0
621512	Diagnostic Imaging Centers	15.0	16.5	16.5
621610	Home Health Care Services	16.5	16.5	16.5
621910	Ambulance Services	20.0	20.0	16.5
621991	Blood and Organ Banks	34.5	35.0	35.0
621999	All Other Miscellaneous Ambulatory Health Care Services	18.0	18.0	16.5
622110	General Medical and Surgical Hospitals	30.0	41.5	41.5
622210	Psychiatric and Substance Abuse Hospitals	23.5	41.5	41.5
622310	Specialty (except Psychiatric and Substance Abuse) Hospitals	30.0	41.5	41.5
623110	Nursing Care Facilities (Skilled Nursing Facilities)	25.0	30.0	30.0
623210	Residential Intellectual and Developmental Disability Facilities	15.5	16.5	16.5
623220	Residential Mental Health and Substance Abuse Facilities	15.0	16.5	16.5
623311	Continuing Care Retirement Communities	22.5	30.0	30.0
623312	Assisted Living Facilities for the Elderly	20.5	20.5	12.0
623990	Other Residential Care Facilities	14.0	14.0	12.0
624110	Child and Youth Services	13.5	13.5	12.0
624120	Services for the Elderly and Persons with Disabilities	13.0	13.0	12.0
624190	Other Individual and Family Services	14.0	14.0	12.0
624210	Community Food Services	17.0	17.0	12.0
624221	Temporary Shelters	11.5	12.0	12.0
624229	Other Community Housing Services	16.5	16.5	16.5
624230	Emergency and Other Relief Services	36.5	36.5	35.0
624310	Vocational Rehabilitation Services	13.0	13.0	12.0
624410	Child Day Care Services	8.5	8.5	8.0
711110	Theater Companies and Dinner Theaters	20.0	22.0	22.0
711120	Dance Companies	16.0	16.0	12.0
711130	Musical Groups and Artists	13.0	13.0	12.0
711190	Other Performing Arts Companies	29.5	30.0	30.0
711211	Sports Teams and Clubs	29.5	41.5	41.5
711212	Racetracks	33.5	41.5	41.5
711219	Other Spectator Sports	14.5	14.5	12.0
711310	Promoters of Performing Arts, Sports, and Similar Events with Facilities.	23.5	35.0	35.0
711320	Promoters of Performing Arts, Sports, and Similar Events without Facilities.	19.5	19.5	16.5
711410	Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures.	15.5	15.5	12.0
711510	Independent Artists, Writers, and Performers	8.0	8.0	8.0
712110	Museums	25.5	30.0	30.0
712120	Historical Sites	11.5	11.5	8.0
712130	Zoos and Botanical Gardens	25.0	30.0	30.0
712190	Nature Parks and Other Similar Institutions	17.0	17.0	8.0
713110	Amusement and Theme Parks	41.5	41.5	41.5
713120	Amusement Arcades	8.0	8.0	8.0
713210	Casinos (except Casino Hotels)	25.0	30.0	30.0
713290	Other Gambling Industries	25.0	35.0	35.0
713910	Golf Courses and Country Clubs	11.0	16.5	16.5
713920	Skiing Facilities	31.0	31.0	30.0
713930	Marinas	9.5	9.5	8.0
713940	Fitness and Recreational Sports Centers	15.5	15.5	8.0
713950	Bowling Centers	11.0	11.0	8.0
713990	All Other Amusement and Recreation Industries	7.0	8.0	8.0
721110	Hotels (except Casino Hotels) and Motels	30.5	35.0	35.0
721120	Casino Hotels	31.0	35.0	35.0
721191	Bed-and-Breakfast Inns	6.5	8.0	8.0
721199	All Other Traveler Accommodation	8.0	8.0	8.0

TABLE 6—PROPOSED SIZE STANDARDS REVISIONS—Continued

NAICS code	NAICS industry title	Calculated size standard (\$ million)	Proposed size standard (\$ million)	Current size standard (\$ million)
721211	RV (Recreational Vehicle) Parks and Campgrounds	9.0	9.0	8.0
721214	Recreational and Vacation Camps (except Campgrounds)	8.0	8.0	8.0
721310	Rooming and Boarding Houses, Dormitories, and Workers' Camps	12.5	12.5	8.0
722310	Food Service Contractors	38.0	41.5	41.5
722320	Caterers	6.5	8.0	8.0
722330	Mobile Food Services	6.5	8.0	8.0
722410	Drinking Places (Alcoholic Beverages)	6.5	8.0	8.0
722511	Full-Service Restaurants	10.0	10.0	8.0
722513	Limited-Service Restaurants	11.0	12.0	12.0
722514	Cafeterias, Grill Buffets, and Buffets	15.5	30.0	30.0
722515	Snack and Nonalcoholic Beverage Bars	20.0	20.0	8.0
811111	General Automotive Repair	8.0	8.0	8.0
811112	Automotive Exhaust System Repair	7.0	8.0	8.0
811113	Automotive Transmission Repair	6.5	8.0	8.0
811118	Other Automotive Mechanical and Electrical Repair and Maintenance	7.5	8.0	8.0
811121	Automotive Body, Paint, and Interior Repair and Maintenance	7.0	8.0	8.0
811122	Automotive Glass Replacement Shops	15.5	15.5	12.0
811191	Automotive Oil Change and Lubrication Shops	9.5	9.5	8.0
811192	Car Washes	8.0	8.0	8.0
811198	All Other Automotive Repair and Maintenance	9.0	9.0	8.0
811211	Consumer Electronics Repair and Maintenance	22.5	22.5	8.0
811212	Computer and Office Machine Repair and Maintenance	17.5	30.0	30.0
811213	Communication Equipment Repair and Maintenance	19.5	19.5	12.0
811219	Other Electronic and Precision Equipment Repair and Maintenance	22.0	22.0	22.0
811310	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	11.0	11.0	8.0
811411	Home and Garden Equipment Repair and Maintenance	7.0	8.0	8.0
811412	Appliance Repair and Maintenance	12.5	16.5	16.5
811420	Reupholstery and Furniture Repair	6.5	8.0	8.0
811430	Footwear and Leather Goods Repair	7.5	8.0	8.0
811490	Other Personal and Household Goods Repair and Maintenance	6.5	8.0	8.0
812111	Barber Shops	8.5	8.5	8.0
812112	Beauty Salons	8.5	8.5	8.0
812113	Nail Salons	6.5	8.0	8.0
812191	Diet and Weight Reducing Centers	24.0	24.0	22.0
812199	Other Personal Care Services	6.5	8.0	8.0
812210	Funeral Homes and Funeral Services	11.0	11.0	8.0
812220	Cemeteries and Crematories	18.5	22.0	22.0
812310	Coin-Operated Laundries and Drycleaners	11.5	11.5	8.0
812320	Drycleaning and Laundry Services (except Coin-Operated)	7.0	7.0	6.0
812331	Linen Supply	32.0	35.0	35.0
812332	Industrial Launderers	40.5	41.5	41.5
812910	Pet Care (except Veterinary) Services	6.5	8.0	8.0
812921	Photofinishing Laboratories (except One-Hour)	26.0	26.0	22.0
812922	One-Hour Photofinishing	16.0	16.5	16.5
812930	Parking Lots and Garages	25.5	41.5	41.5
812990	All Other Personal Services	13.0	13.0	8.0
813110	Religious Organizations	11.5	11.5	8.0
813211	Grantmaking Foundations	35.0	35.0	35.0
813212	Voluntary Health Organizations	27.0	30.0	30.0
813219	Other Grantmaking and Giving Services	22.5	41.5	41.5
813311	Human Rights Organizations	28.5	30.0	30.0
813312	Environment, Conservation and Wildlife Organizations	17.0	17.0	16.5
813319	Other Social Advocacy Organizations	16.0	16.0	8.0
813410	Civic and Social Organizations	8.5	8.5	8.0
813910	Business Associations	13.5	13.5	8.0
813920	Professional Organizations	20.5	20.5	16.5
813930	Labor Unions and Similar Labor Organizations	14.5	14.5	8.0
813940	Political Organizations	12.5	12.5	8.0
813990	Other Similar Organizations (except Business, Professional, Labor, and Political Organizations)	12.0	12.0	8.0

Table 7, Summary of Proposed Size Standards Revisions by Sector, below,

summarizes the proposed changes to size standards by NAICS sector.

TABLE 7—SUMMARY OF PROPOSED SIZE STANDARDS REVISIONS BY SECTOR

NAICS sector	Sector name	Size standards increased	Size standards lowered	Size standards maintained
61	Education Services	14	0	4
62	Health Care and Social Assistance	18	0	21
71	Arts, Entertainment and Recreation	11	0	14
72	Accommodation and Food Services	4	0	11
81	Other Services	23	0	25
All Sectors .....	.....	70	0	75

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, 0.63%, varying from 0.003% to 22.3%. 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 5 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 2 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 the SBA's policy of not lowering size standards based on the analytical results. In response to these comments, SBA considered as part of option one (*i.e.* to adopt changes exactly as suggested by the analytical results) to mitigate the impact of the decreases to size standards. The mitigation would provide additional adjustments to the calculated sizes after evaluation of the impact of the potential reductions on small business access to Federal contracting and loans. However, due to the global COVID-19 pandemic resulting in high levels of risk and dramatic reductions in economic activity of unprecedented nature, SBA is not considering any mitigation to decreases in size standards as part of option one. 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 70 increases and retaining 75 size standards. 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 70 size standards and retain 75 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 size 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 the 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 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 calculating the overall industry size standard, SBA has assigned equal weight to each of the 5 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.

5. 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 5 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 70 industries in NAICS Sectors 61, 62, 71, 72 and 81 are consistent with SBA’s statutory mandates to help small businesses grow and create jobs and to review and adjust size standards every 5 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 analyses 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 pandemic on small businesses and the overall economic activity, of the total of 145 industries in Sectors 61, 62, 71, 72 and 81 that have receipts-based size standards, SBA proposes to increase size standards for 70 industries, and maintain current size standards for the remaining 75 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 2.0 million businesses in industries in Sectors 61, 62, 71, 72, and 81, 98% are considered small under the current size standards. That percentage varies from 95.9% in Sector 61 to 98.8% in Sectors 72 and 81. Based on the data from FPDS–NG for fiscal years 2016–2018, about 26,174 unique firms in those industries received at least one Federal contract during that period, of which 78.2% were small under the current size standards. A total of \$15.2 billion in average annual contract dollars were awarded to businesses in those industries during the period of evaluation, and 30.7% 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, 65.0% were awarded through various small business set-aside programs and 35.0% 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 25,070 7(a) and 504 loans in that period, totaling about \$12.9 billion,

of which 83.2% was issued through the 7(a) program and 16.8% was issued through the 504/CDC program. During fiscal years 2016–2018, small businesses in those industries also received 1,612 loans through the SBA's Economic

Injury Disaster Loan (EIDL) program, totaling about \$186 million on an annual basis. Table 8, Baseline for All Industries, below, provides these baseline results by sector.

TABLE 8—BASELINE FOR ALL INDUSTRIES

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
Baseline All Industries (current size standards)	18	39	25	15	48	145
Total firms (Economic Census)	84,084	653,143	114,926	496,856	667,318	2,016,327
Total small firms under current size standards (Economic Census)	80,620	632,077	112,612	490,773	659,559	1,975,640
Small firms as % of total firms	95.9	96.8	98.0	98.8	98.8	98.0
Total contract dollars (\$ million) (FPDS–NG FY2016–2018)	\$3,548.9	\$8,474.5	\$157.4	\$785.2	\$2,848.9	\$15,814.9
Total small business contract dollars under current standards (\$ million) (FPDS–NG FY2016–2018)	\$1,257.0	\$2,335.5	\$114.7	\$356.9	\$784.6	\$4,848.7
Small business dollars as % of total dollars (FPDS–NG FY2016–2018)	35.4	27.6	72.9	45.5	27.5	30.7
Total No. of unique firms getting contracts (FPDS–NG FY2016–2018)	4,425	6,853	1,128	3,733	10,786	26,174
Total No. of unique small firms getting small business contracts (FPDS–NG FY2016–2018)	3,514	5,758	1,023	3,088	7,476	20,475
Small business firms as % of total firms	79.4	84.0	90.7	82.7	69.3	78.2
No. of 7(a) and 504/CDC loans (FY2016–2018)	993	6,251	2,280	9,313	6,233	25,070
Amount of 7(a) and 504 loans (\$ million) (FY2016–2018)	\$371.8	\$3,324.0	\$1,104.6	\$5,826.6	\$2,301.6	\$12,928.7
No. of EIDL loans (FY2016–2018)	68	376	140	382	646	1,612
Amount of EIDL loans (\$ million) (FY2016–2018)	\$6.1	\$41.7	\$17.8	\$48.7	\$72.0	\$186.4

Increases to Size Standards

As stated above, of 145 receipts-based size standards in Sectors 61, 62, 71, 72 and 81 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, in this rule, SBA proposes to increase 70 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 the 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 the 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 70 industries in NAICS Sectors 61, 62, 71, 72 and 81 for which it has proposed to increase size standards, more than 4,708 firms (see Table 9, 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 0.4% 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 37.4% to 38.5%.

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 233 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 \$47.0 million annually. That represents a 1.9% 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 54 of SBA's 7(a) and 504 loans totaling about \$23.0 million could be made to these newly-qualified small businesses in those industries under the proposed size standards. That represents a 0.4% increase to the loan amount compared to the baseline for all industries covered by this proposed rule.

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 six (6) EIDL loans, totaling about \$0.7 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 9, Impacts of Proposed Increases to Size Standards, provides these results by NAICS sector.

TABLE 9—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
No. of industries with proposed increases to size standards	14	18	11	4	23	70
Total current small businesses in industries with Proposed increases to size standards (Economic Census 2012)	53,788	350,287	47,893	243,299	428,410	1,123,676
Additional firms qualifying as small under proposed standards (2012 Economic Census)	707.9	1464.4	264.9	599.3	1671.3	4,708
Percentage of additional firms qualifying as small relative to current small businesses in industries with proposed increases to size standards	1.32	0.42	0.55	0.25	0.39	0.42
No. of current unique small firms getting small business contracts in industries with proposed increases to size standards (FPDS-NG FY2016–2018) ¹	3,365	3,482	395	722	3,300	11,080
Additional small business firms getting small business status (FPDS-NG FY2016–2018)	33	30	8	1	168	233
% 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	0.98	0.86	2.03	0.14	5.09	2.10
Total small business contract dollars under current standards in industries with proposed increases to size standards (\$ million) (FPDS-NG FY2016–2018)	\$1,091.7	\$1,094.3	\$26.6	\$12.4	\$233.0	\$2,458.0
Estimated small business dollars available to newly-qualified small firms (Using avg dollars obligated to SBs) (\$ million) FPDS-NG FY 2016–2018) ¹	\$19.4	\$14.8	\$0.9	\$0.0	\$11.8	\$47.0
% increase to small business dollars relative to total small business contract dollars under current standards in industries with proposed increases to size standards	1.78	1.35	3.28	0.31	5.08	1.91
Total no. of 7(a) and 504 loans to small business in industries with proposed increases to size standards (FY2016–2018)	565	3,209	1,502	4,437	2,856	12,569
Total amount of 7(a) and 504 loans to small businesses in industries with proposed increases to size standards (\$ million) (FY2016–2018)	\$208.0	\$1,827.2	\$652.6	\$1,688.3	\$943.1	\$5,319.3
Estimated no. of 7(a) and 504 loans to newly-qualified small firms	8	14	9	11	12	54
Estimated 7(a) and 504 loan amount to newly-qualified small firms (\$ million)	\$2.9	\$8.0	\$3.9	\$4.2	\$4.0	\$23.0
% 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	1.4%	0.4%	0.6%	0.2%	0.4%	0.4%
Total no. of EIDL loans to small businesses in industries with proposed increases to size standards (FY2016–2018)	49	213	51	197	423	933
Total amount of EIDL loans to small businesses in industries with proposed increases to size standards (\$ million) (FY2016–2018)	\$5.0	\$20.8	\$6.2	\$23.8	\$56.9	\$112.7
Estimated no. of EIDL loans to newly-qualified small firms	1	1	1	1	2	6
Estimated EIDL loan amount to newly-qualified small firms (\$ million)	\$0.10	\$0.10	\$0.12	\$0.12	\$0.27	\$0.71

TABLE 9—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS—Continued

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
% increase to EIDL loan amount relative to the total amount of EIDL loans in industries with proposed increases to size standards	2.0%	0.5%	2.0%	0.5%	0.5%	0.6%

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,² 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 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% 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 of 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 fewer set-aside contracts due to the increased competition from larger 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.

² For a clarification of what the FAR's annual representation in SAM requirement is, see number 3 under the Initial Regulatory Flexibility Analysis section on page 92.

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 2 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 70 industries for which the analytical results suggest raising size standards would be raised. However, the size standards of 63 industries for which the analytical results suggest lowering size standards would be maintained. 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. SBA could adopt one or more of the following three actions with respect to adopting size standards for which the analytical results suggest a decrease is appropriate: (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. Actions 2 and 3 would mitigate the impacts of a decrease to size standards.

SBA has adopted action 3 in previous size reviews. 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 adopt 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 all changes in size standards as suggested by the analytical results 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.

We have discussed already the benefits and costs of increasing 70 size standards. Below we discuss the benefits and costs of decreasing 63 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 in 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 \$2,004 million in small business contracts in those 63 industries for which this Option considered decreasing size standards. Table 10 below shows that lowering 63 size standards would reduce Federal contract dollars awarded to small businesses by \$76.4 million or about 3.8% relative to the baseline level. Nevertheless, since Federal agencies are still required to meet the statutory small business contracting goal of 23%, 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 26 SBA's 7(a) and 504 loans with total amounts of \$19.8 million could not be made to those small businesses that would lose eligibility under the reduced size standards (before mitigation). That represents about a 0.3% decrease of the loan amounts compared to the baseline. Table 10 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 the 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. 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 10—IMPACTS OF DECREASES TO SIZE STANDARDS UNDER ALTERNATIVE OPTION ONE

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
No. of industries for which SBA considered decreasing size standards (2012 Economic Census)	4	18	11	9	21	63
Total current small businesses in industries for which SBA considered decreasing size standards (EC 2012)	26,832	257,179	39,737	243,637	129,388	696,774
Estimated no. of firms losing small status for which SBA considered decreasing size standards (2012 Economic Census)	21	828	259	399	211	1,718
% of Firms losing small status relative to current small businesses in industries for which SBA considered decreasing size standards	0.08	0.32	0.65	0.16	0.16	0.25
No. of current unique small firms getting small business contracts in industries for which SBA considered decreasing size standards (FPDS-NG FY2016–2018) ¹	167	2,300	290	2,351	2,541	7,611
Estimated number of small business firms that would have lost small business status in the decreases that SBA considered	1	45	3	31	105	183
% 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	0.60	1.96	1.03	1.32	4.13	2.40
Total small business contract dollars under current size standards in industries for which SBA considered decreasing size standards (\$ million) (FPDS-NG FY2016–2018)	\$165.2	\$1,190.7	\$19.4	\$343.5	\$284.9	\$2,003.8
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	\$52.8	\$0.2	\$2.6	\$20.8	\$76.4
% 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	0.04	4.43	1.02	0.75	7.30	3.81
Total no. of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards (FY2016–2018)	428	2,604	593	4,835	1,899	10,359
Total amount of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards (\$ million) (FY2016–2018)	\$163.8	\$1,317.2	\$375.7	\$4,119.1	\$566.6	\$6,542.3
Estimated no. of 7(a) and 504 loans not available to firms that would have lost small business status	1	9	4	8	4	26
Estimated 7(a) and 504 loan amount not available to firms that would have lost small status (\$ million)	\$0.4	\$4.6	\$6.8	\$6.8	\$1.2	\$19.8
% 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	0.2%	0.3%	1.8%	0.2%	0.2%	0.3%
Total no. of EIDL loans to small businesses in industries for which SBA considered decreasing size standards (FY2016–2018)	19	142	64	171	133	529
Total amount of EIDL loans to small businesses in industries for which SBA considered decreasing size standards (\$ million) (FY2016–2018)	\$1.1	\$18.4	\$10.3	\$22.5	\$8.9	\$61.2
Estimated no. of EIDL loans not available to firms that would have lost small business status	1	1	1	1	1	5
Estimated EIDL loan amount not available to firms that would have lost small business status (\$ million)	\$0.06	\$0.13	\$0.16	\$0.13	\$0.07	\$0.55
% decrease to EIDL loan amount relative to the baseline	5.3%	0.7%	1.6%	0.6%	0.8%	0.9%

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 the small business status and large businesses and between small businesses losing the 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 9 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 9 above. Table 10 (above) and Table 11, 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 132 industries in NAICS Sectors 61, 62, 71, 72 and 81 for which the analytical results suggested to change size standards, about 2,990 firms (see Table 11, below), would become small under the Option One. That represents about 0.2 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 38 active firms in Federal contracting in those industries would gain small business status under Option One. This represents an increase of about 0.2% 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 \$29.5 million of Federal procurement dollars would not be available to firms losing their small status. This represents a decrease of 0.7% from the baseline for all industries covered by this proposed rule.

Based on the SBA's loan data for fiscal years 2016–2018, the total number of 7(a) and 504 loans may experience an overall increase by about 28 loans, and the loan amounts by about \$3.2 million. This represents a 0.02% increase in the loan amounts relative to the baseline for all industries covered by this proposed rule.

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 is 1 additional loan, and an additional loan amount of about \$0.16 million relative to the baseline for all industries covered by this proposed rule. Table 11, below, provides these results by NAICS sector.

TABLE 11—NET IMPACTS OF SIZE STANDARDS CHANGES UNDER ALTERNATIVE OPTION ONE

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
No. of industries with proposed changes to size standards	17	36	22	13	44	132
Total no. of small business under the current size standards (2012 Economic Census)	80,620	607,466	87,630	486,936	557,798	1,820,450
Additional firms qualifying as small under proposed size standards (2012 Economic Census)	687	636	6	200	1,460	2,990
% of additional firms qualifying as small relative to total current small businesses	0.85	0.10	0.01	0.04	0.26	0.16
No. of current unique small firms getting small business contracts (FPDS-NG FY2016–2018) ¹	3,514	5,566	672	3,069	5,672	18,184
Additional small firms getting small business status (FPDS-NG FY2016–2018)	32	– 14	5	– 30	50	38
% increase to small firms relative to current unique small firms getting small business contracts (FPDS-NG FY2016–2018) ¹	0.91	– 0.25	0.74	– 0.98	0.88	0.21
Total small business small business contract dollars under current size standards (\$ million) (FPDS-NG FY2016–2018)	\$1,257.0	\$2,285.1	\$46.1	\$355.9	\$517.9	\$4,461.8
Estimated small business dollars available to newly-qualified small firms (\$ million) (FPDS-NG FY 2016–2018) ¹	\$19.3	– \$38.0	\$0.7	– \$2.6	– \$9.0	– \$29.5
% increase to dollars relative to total small business contract dollars under current size standards	1.54	– 1.66	1.47	– 0.72	– 1.73	– 0.66
Total no. of 7(a) and 504 loans to small businesses (FY2016–2018)	993	6,251	2,280	9,313	6,233	25,070

TABLE 11—NET IMPACTS OF SIZE STANDARDS CHANGES UNDER ALTERNATIVE OPTION ONE—Continued

	Sector 61	Sector 62	Sector 71	Sector 72	Sector 81	Total
Total amount of 7(a) and 504 loans to small businesses (FY2016–2018)	\$371.8	\$3,324.0	\$1,104.6	\$5,826.6	\$2,301.6	\$12,928.7
Estimated no. of additional 7(a) and 504 loans to newly-qualified small firms	7	5	5	3	8	28
Estimated additional 7(a) and 504 loan amount to newly-qualified small firms (\$ million)	\$2.6	\$3.4	–\$2.9	–\$2.6	\$2.8	\$3.2
% increase to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans to small businesses	0.7%	0.1%	–0.3%	0.0%	0.1%	0.02%
Total no. of EIDL loans to small businesses (FY2016–2018)	68	376	140	382	646	1,612
Total amount of EIDL loans to small businesses (FY2016–2018)	\$6.1	\$41.7	\$17.8	\$48.7	\$72.0	\$186.4
Estimated no. of additional EIDL loans to newly-qualified small firms	0	0	0	0	1	1
Estimated additional EIDL loan amount to newly-qualified small firms (\$ million)	\$0.04	–\$0.03	–\$0.04	–\$0.01	\$0.20	\$0.16
% increase to EIDL loan amount relative to the total amount of EIDL loans to small businesses	0.7%	–0.1%	–0.2%	0.0%	0.3%	0.1%

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 70 size standards and retaining 75 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 Executive Order 13771, because most of the rule's impacts are income transfers between small and other than small businesses. According to the Executive Order 13771 guidance in OMB M–17–21, dated April 5, 2017 (E.O. 13771 Guidance), “transfers” are not covered by Executive Order 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 Executive Order 13771. Details on the estimated costs of this proposed rule can be found in the Regulatory Impact Analysis above.

Regulatory Flexibility Act

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 Economic Injury Disaster Loan Programs, and assistance under other Federal small business programs.

Initial Regulatory Flexibility Analysis

Immediately below, SBA sets forth an initial regulatory flexibility analysis (IRFA) of this proposed rule addressing the following questions: (1) What are 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 are 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 of 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 1.1 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 4,708 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 in that system frequently enough to ensure that their SAM registration is current, accurate, and complete with the submission of an offer for every new contract (FAR 52.204–7 and 52.204–8). For existing contracts, small business contractors are generally required to update their SAM registration at least annually (FAR 52.204–13). 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 70 size standards and maintain 75 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 70 industries for which the analytical results suggest raising size standards would be raised. However, the size standards of 63 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. 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 70 and decreasing 63 size standards. Retaining all size standards at their current levels would be more onerous for the small businesses than the option of adopting 70 increases and retaining the rest of size standards.

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 5 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” by revising entries “611110”, “611210”, “611310”, “611410”, “611420”, “611430”, “611511”, “611513”, “611519”, “611630”, “611691”, “611692”, “611699”, “611710”, “621111”, “621340”, “621399”, “621410”, “621491”, “621498”, “621511”, “621910”, “621999”, “623312”, “623990”, “624110”, “624120”, “624190”, “624210”, “624230”, “624310”, “624410”, “711120”,

“711130”, “711219”, “711320”, “711410”, “712120”, “712190”, “713920”, “713930”, “713940”, “713950”, “721211”, “721310”, “722511”, “722515”, “811122”, “811191”, “811198”, “811211”, “811213”, “811310”, “812111”, “812112”, “812191”, “812210”, “812310”, “812320”, “812921”, “812990”, “813110”, “813312”, “813319”, “813410”, “813910”, “813920”, “813930”, “813940”, and “813990” to 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 61—Educational Services			
Subsector 611—Educational Services			
611110	Elementary and Secondary Schools	\$17.5	
611210	Junior Colleges	28.5	
611310	Colleges, Universities and Professional Schools	30.5	
611410	Business and Secretarial Schools	18.0	
611420	Computer Training	14.0	
611430	Professional and Management Development Training	13.0	
611511	Cosmetology and Barber Schools	11.5	
* * * * *			
611513	Apprenticeship Training	10.0	
611519	Other Technical and Trade Schools	18.5	
Except	Job Corps Centers ¹⁶	16 41.5	
* * * * *			
611630	Language Schools	18.0	
611691	Exam Preparation and Tutoring	11.0	
611692	Automobile Driving Schools	9.0	
611699	All Other Miscellaneous Schools and Instruction	14.5	
611710	Educational Support Services	\$21.0	
Sector 62—Health Care and Social Assistance			
Subsector 621—Ambulatory Health Care Services			
621111	Offices of Physicians (except Mental Health Specialists)	14.0	
* * * * *			
621340	Offices of Physical, Occupational and Speech Therapists and Audiologists	11.0	
* * * * *			
621399	Offices of All Other Miscellaneous Health Practitioners	9.0	
621410	Family Planning Centers	16.5	
* * * * *			
621491	HMO Medical Centers	39.0	
* * * * *			
621498	All Other Outpatient Care Centers	22.5	
621511	Medical Laboratories	\$36.5	
* * * * *			
621910	Ambulance Services	20.0	

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
621999	All Other Miscellaneous Ambulatory Health Care Services	18.0	
Subsector 623—Nursing and Residential Care Facilities			
623312	Assisted Living Facilities for the Elderly	20.5	
623990	Other Residential Care Facilities	14.0	
Subsector 624—Social Assistance			
624110	Child and Youth Services	13.5	
624120	Services for the Elderly and Persons with Disabilities	13.0	
624190	Other Individual and Family Services	14.0	
624210	Community Food Services	17.0	
624230	Emergency and Other Relief Services	36.5	
624310	Vocational Rehabilitation Services	13.0	
624410	Child Day Care Services	8.5	
Sector 71—Arts, Entertainment and Recreation			
Subsector 711—Performing Arts, Spectator Sports and Related Industries			
711120	Dance Companies	16.0	
711130	Musical Groups and Artists	13.0	
711219	Other Spectator Sports	14.5	
711320	Promoters of Performing Arts, Sports and Similar Events without Facilities	19.5	
711410	Agents and Managers for Artists, Athletes, Entertainers and Other Public Figures	\$15.5	
Subsector 712—Museums, Historical Sites and Similar Institutions			
712120	Historical Sites	11.5	
712190	Nature Parks and Other Similar Institutions	17.0	
Subsector 713—Amusement, Gambling and Recreation Industries			
713920	Skiing Facilities	31.0	
713930	Marinas	9.5	
713940	Fitness and Recreational Sports Centers	15.5	
713950	Bowling Centers	11.0	
Sector 72—Accommodation and Food Services			
Subsector 721—Accommodation			
721211	RV (Recreational Vehicle) Parks and Campgrounds	9.0	

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
* * * * *			
721310	Rooming and Boarding Houses, Dormitories, and Workers' Camps	12.5	
Subsector 722—Food Services and Drinking Places			
* * * * *			
722511	Full-Service Restaurants	10.0	
* * * * *			
722515	Snack and Nonalcoholic Beverage Bars	20.0	
Sector 81—Other Services			
Subsector 811—Repair and Maintenance			
* * * * *			
811122	Automotive Glass Replacement Shops	15.5	
811191	Automotive Oil Change and Lubrication Shops	9.5	
* * * * *			
811198	All Other Automotive Repair and Maintenance	9.0	
811211	Consumer Electronics Repair and Maintenance	22.5	
* * * * *			
811213	Communication Equipment Repair and Maintenance	19.5	
* * * * *			
811310	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance.	11.0	
* * * * *			
Subsector 812—Personal and Laundry Services			
812111	Barber Shops	8.5	
812112	Beauty Salons	8.5	
* * * * *			
812191	Diet and Weight Reducing Centers	24.0	
* * * * *			
812210	Funeral Homes and Funeral Services	11.0	
* * * * *			
812310	Coin-Operated Laundries and Drycleaners	11.5	
812320	Dry cleaning and Laundry Services (except Coin-Operated)	7.0	
* * * * *			
812921	Photofinishing Laboratories (except One-Hour)	26.0	
* * * * *			
812990	All Other Personal Services	13.0	
Subsector 813—Religious, Grantmaking, Civic, Professional and Similar Organizations			
813110	Religious Organizations	11.5	
* * * * *			
813312	Environment, Conservation and Wildlife Organizations	17.0	
813319	Other Social Advocacy Organizations	16.0	
813410	Civic and Social Organizations	8.5	
813910	Business Associations	13.5	
813920	Professional Organizations	20.5	
813930	Labor Unions and Similar Labor Organizations	14.5	
813940	Political Organizations	12.5	
813990	Other Similar Organizations (except Business, Professional, Labor, and Political Organizations).	12.0	

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
*	*	*	*	*	*	*

Footnotes

16. NAICS code 611519—Job Corps Centers. For classifying a Federal procurement, the purpose of the solicitation must be for the management and operation of a U.S. Department of Labor Job Corps Center. The activities involved include admissions activities, life skills training, educational activities, comprehensive career preparation activities, career development activities, career transition activities, as well as the management and support functions and services needed to operate and maintain the facility. For SBA assistance as a small business concern, other than for Federal Government procurements, a concern must be primarily engaged in providing the services to operate and maintain Federal Job Corps Centers.

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Jovita Carranza,

Administrator.

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