



OFFICE OF ADVOCACY *FACTSHEET*

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Advocacy Recommends SBA Postpone Size Standard Rulemaking to Further Consider Impacts on Small Business

On June 29, 2004, the Office of Advocacy of the U.S. Small Business Administration (Advocacy) wrote the U.S. Small Business Administration (SBA) regarding a proposed regulatory change to the federal size standard program. Advocacy recommended the SBA postpone this rulemaking to conduct a formal stakeholder outreach process throughout the country. See Advocacy's complete comments at www.sba.gov/advo/laws/comments.

- On March 19, 2004, the SBA published a proposed regulation to amend the Size Standards Program, 13 Part 121 of the *Code of Federal Regulations*.
- The SBA has authority to establish distinct definitions by which businesses are deemed small and thus eligible to receive a variety of financial, procurement, and business development assistance. In general, the SBA size standards also define which businesses are small for Regulatory Flexibility Act analysis purposes.
- The current SBA size standards consist of 37 different size levels which apply to 1,151 industries and 13 sub-industry activities in the North American Industry Classification System (NAICS). SBA's intent is to reduce and simplify the number of size standards by moving from receipts-based size standards to an employee-based system. The proposed employee-based size standard levels would range from 50 to 1,500 employees.
- Advocacy urged SBA to identify or evaluate the economic impact of the proposal on small entities with respect to regulatory actions and programs of other federal agencies.
- Advocacy urged SBA to examine the impact of the rule change on the 34,100 firms that SBA anticipated would be adversely affected by the proposal. For example, in one industry, under the existing standard, small businesses are capturing 53 percent of the businesses in the NAICS category, but under the proposed standard they will capture only 27 percent. SBA did not examine the impact of this 26 percent drop on the businesses that would no longer be considered small.

For more information, visit the Office of Advocacy's web page at www.sba.gov/advo or contact Major Clark at (202) 205-6533.