U.S. Chamber of Commerce

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Ryan Lambert
Associate Administrator
Office of Government Contracting and Business Development
U.S. Small Business Administration
409 Third Street SW, Mail Code 6530
Washington, DC 20416

Dear Mr. Lambert:

On behalf of the U.S. Chamber of Commerce, we respectfully submit these comments regarding the U.S. Small Business Administration's (SBA) recent proposals concerning size standards and its revised size standards methodology.

The Chamber appreciates SBA's continued attention to the important task of updating and refining the size standards framework. Size standards play a central role in determining whether small businesses can access federal contracting opportunities and other programs intended to foster their growth and participation in the economy. Because of that role, it is critical that SBA's methodology be transparent, predictable, and appropriately calibrated to the real-world conditions under which small businesses compete and perform.

The U.S. Chamber serves and supports more than 5 million small businesses through membership, our nationwide federation, and digital platforms—giving small businesses representation, resources, and a powerful voice. The Chamber is the world's largest business federation, representing businesses of all sizes, sectors, and regions. Small businesses are the backbone of the Chamber's membership and of the American economy. The Chamber's members include small businesses that compete for federal contracts across virtually every NAICS code, as well as businesses that rely on SBA-guaranteed lending, business counseling, and other non-contracting programs.

The Chamber strongly supports SBA's goal of expanding small business eligibility in NAICS categories where the current pool of qualified competitors is insufficient to generate meaningful competition for federal contracts. Raising size thresholds in those sectors can open the federal marketplace to firms that are genuinely small but have been excluded— a result that benefits both small businesses and the government's interest in competitive pricing and a diverse supplier base. Our recommendations below are offered in that spirit: not to slow reform, but to ensure that the methodology underlying these changes is sufficiently transparent and validated to achieve SBA's stated objectives.

The Chamber offers the following recommendations, each of which is addressed in turn below: (1) bifurcation of size standards into separate tracks for federal contracting and other SBA programs; (2) a transparent impact evaluation of the proposed consolidation of NAICS categories and its effects on niche sectors and contracting officer decision-making; and (3) decoupling the finalization of the revised methodology from the concurrent proposed rulemaking to ensure the methodology benefits from public comment and transparent and thorough analysis before it is applied.

Recommendation to Bifurcate Size Standards:

We strongly recommend that SBA bifurcate its size standards into two distinct tracks: one calibrated for federal contracting and one calibrated for all other SBA programs and services, including lending, business counseling, technical assistance, and other non-contracting support. The Chamber believes this reform is essential to ensuring that SBA's size standards serve their full statutory purpose under the Small Business Act, including the requirement that a small business be "not dominant in its field of operation." In our view, that requirement should be applied in a manner that recognizes the different purposes served by federal procurement programs, on the one hand, and SBA's lending and business development programs, on the other. A firm may require additional scale and flexibility to compete effectively for and perform federal contracts without being dominant in any meaningful sense of that term. Bifurcation would allow SBA to calibrate size standards more precisely to those different contexts rather than forcing a single size threshold to do work it is not well suited to perform. If the agency believes bifurcation is not within its current legal authority, the Chamber requests that the Administration seek the necessary statutory changes from Congress.

Bifurcation would directly advance SBA's pro-competitive goal: by separating contracting thresholds from non-contracting program thresholds, SBA could set federal contracting size standards at levels that genuinely reflect the scale needed to compete for and perform government work — bringing more firms into eligibility in underserved sectors without distorting the lending and business development programs that may serve a different population of small businesses.

The following recommendations relate to size standards calibrated for federal contracting. With regard to size standards for all other SBA programs and services, we recommend that SBA issue a separate methodology notice calibrated for all other SBA programs and services.

Recommendation Regarding Industry Grouping and Niche Sector Impact:

The Chamber also urges SBA to conduct a more transparent evaluation of the effects of its proposed consolidation of size standards from the 6-digit NAICS industry level to the 4-digit Industry Group level. The Chamber recognizes that this consolidation is proposed through a Notice of Availability of a revised methodology — not a formal rulemaking — and therefore SBA is not legally obligated to conduct a full regulatory impact analysis under the Administrative Procedure Act, the Regulatory Flexibility Act, or the Small Business Act's rulemaking requirements at 15 U.S.C. 632(a)(6). Nevertheless, the Chamber believes that the scale and practical significance of this change — reducing the number of size standards from approximately 995 to 338 — warrants a more robust and publicly available analysis of its likely effects before it is applied in the concurrent proposed rulemaking.

The Chamber acknowledges that consolidating NAICS classifications may appear, on its face, to be an improvement: simpler standards are easier to administer, less prone to misclassification, and more accessible to small businesses navigating the federal marketplace for the first time. Moreover, where broader groupings result in higher effective thresholds for a given niche sector, consolidation may genuinely expand the pool of eligible competitors — an outcome the Chamber affirmatively supports. However, a size standard that is easy to apply but poorly calibrated to the competitive realities of a given niche sector in federal procurement may exclude firms that should be eligible, include firms that distort competition, or reduce the effectiveness of set-asides in specialized markets where the government has distinct and targeted procurement needs. The Chamber therefore urges SBA not to treat simplification as an end in itself, but rather as one factor to be weighed against the potential costs of reduced granularity.

Specifically, the Chamber recommends that SBA publish an evaluation addressing how the proposed industry groupings will affect small business participation in niche sectors of federal procurement. When a single size standard is applied across a broad 4-digit Industry Group, firms operating in specialized subcategories within that group may find themselves competing against businesses that are substantially larger in practice, even if nominally within the same size threshold. This dynamic could undermine the very competitive access that small business size standards are designed to protect — particularly in sectors where the federal government relies on highly specialized capabilities and where the pool of eligible small businesses is already limited. SBA's evaluation should therefore distinguish between groupings that expand eligibility in thin markets — which the Chamber supports — and those that reduce precision without a corresponding competitive benefit, so that the public and Congress can assess the net effect of the proposed consolidation.

The Chamber also notes that the proposed consolidation has significant implications for contracting officers at federal agencies. While SBA has stated that simplification will reduce misclassification errors, a broader grouping may also reduce the precision with which contracting officers can target set-asides to the specific type of firm best suited to perform a given contract. The Chamber encourages SBA to work with the National Contract Management Association and with government offices of small and disadvantaged business utilization (OSDBUs) and transparently assess whether the proposed groupings preserve sufficient granularity for effective small business set-aside administration across the range of federal procurement needs.

SBA's statutory justification obligation under 15 U.S.C. 632(a)(7) — to demonstrate that a single size standard is appropriate for each individual industry within a grouping — provides a useful framework, but it does not by itself substitute for a forward-looking assessment of competitive effects. The Chamber therefore recommends that SBA, in connection with the concurrent proposed rulemaking, publish data showing: (1) the number of firms in each affected niche industry that would gain or lose small business eligibility as a result of grouping; (2) the historical federal contracting participation rates for small businesses in those niche industries;

and (3) an assessment of whether the proposed groupings are likely to expand or contract meaningful competitive opportunity for the smallest firms within each group. Such transparency would strengthen public confidence in the methodology and better equip Congress, agencies, and the small business community to evaluate its real-world effects.

Recommendation to Decouple the Methodology from the Concurrent Rulemaking:

The Chamber urges SBA to consider decoupling the finalization of the revised methodology from the concurrent proposed rulemaking on size standards. Because the methodology serves as the analytical foundation for the proposed rule, finalizing size standards before the methodology itself has received a full round of public comment and response risks building the rulemaking on an insufficiently validated foundation. SBA would be better served by publishing an evaluation of the impact of NAICS grouping (see immediately above), carefully reviewing and responding to public input, and then applying the refined methodology to the proposed size standards with the benefit of that record.

The Chamber is fully mindful of the real and immediate need for clarity in the small business contracting marketplace. Small businesses make hiring, investment, and business development decisions based on their anticipated size standard eligibility, and prolonged uncertainty is itself a harm the Chamber takes seriously. For that reason, we are not suggesting that SBA abandon or indefinitely defer its proposed changes. Rather, we encourage SBA to consider whether targeted interim guidance — clarifying how existing size standards will apply during any transition period — could provide the near-term certainty that small businesses need while the agency completes a more thorough evaluation of the methodology's effects. The Chamber wants SBA to succeed in expanding the competitive pool of small businesses eligible for federal contracts, particularly in sectors where participation has been historically thin. A modest and defined delay in finalizing the rule, paired with clear interim guidance, would better serve both the integrity of the methodology and the small businesses that depend on it.

The U.S. Chamber of Commerce appreciates the opportunity to submit these comments and thanks SBA for its continued work to improve the size standards framework.

Respectfully submitted,

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U.S. Chamber of Commerce