

## SBA Raises the Small Business Size Standards for 68 Industries

### SBA Decision

In March 2022, the Small Business Administration (SBA) released a final ruling increasing the common definitions of the receipts-based small business sizes (more commonly known as “size standards”) for the North American Industry Classification System (NAICS) Sectors. The SBA increased the size standards for 68 industries within four NAICS Sectors: Sector 11 (Agriculture, Forestry, Fishing and Hunting), three industries in Sector 21 (Quarrying, and Oil and Gas Extraction), three industries in Sector 22 (Utilities), and one industry and one subindustry (“exception”) in Sector 23 (Construction). The rule takes effect May 2, 2022.

This final rule is **one of a series of final rules** to revise all NAICS Sectors. The SBA chose to group industries that use the same size measure (i.e., employees or receipts), rather than revise them all at the same time.

### Size Standards

Size standards are the maximum values in annual receipts and employees that determine a private sector businesses eligibility for Federal programs.

In September 2010, Congress passed the Small Business Jobs Act of 2010 requiring SBA to review all size standards every five

years and make necessary adjustments to reflect current industry and market conditions. The SBA completed its first review and adjustments in 2016 (except for agriculture, which was previously set by Congress), establishing the current size standards. The National Defense Authorization Act of Fiscal Year 2017 directed SBA to establish size standards for all agricultural enterprises in the same manner as other industries and to include them in the five-year review procedures established under the Jobs Act.

As a result of this review cycle, the SBA evaluated all agriculture businesses and 46 other industries for the first time. Other components of the review are adjustments to monetary-based size standards for inflation and updates to reflect the Office of Management and Budget Budget’s quinquennial NAICS table revisions.

### NAICS Sectors 11,21,22, and 23 Final Rule

In the most recent ruling, the SBA **increased** the receipts-based small business size standards for sixty-eight (68) industries in sectors related to Agriculture, Forestry, Fishing and Hunting (NAICS Sector 11), Quarrying, and Oil and Gas Extraction.

## NAICS Sectors 11,21,22, and 23 Final Rule con't

Quarrying, and Oil and Gas Extraction (NAICS Sector 21), Utilities (NAICS Sector 22), and Construction (NAICS Sector 23).

The **final rule adopted all the size standards** that SBA proposed in an October 2020 proposed rule, **except** for an increase in the size standard for Forest Fire Suppression and Fuel Management Services to a higher size standard of \$30 million, instead of the proposed \$25 million.

## NAICS Sectors 48, 49, 51 – 56, 61, 62, 71,72 Final Rules

Previously, the SBA increased the receipts-based small business size standards in three other rulings. Each final rule adopted all the size standards that SBA proposed in a November 2020 rule without any changes. In total, SBA approved 161 industries size standard changes in the rulings.

Summary:

- 45 industries in sectors related to Transportation and Warehousing (NAICS Sectors 48-49), Information (NAICS Sector 51), Finance and Insurance
- 70 industries in sectors related to Education Services (NAICS Sector 61), Health Care and Social Assistance (NAICS Sector 62), Arts, Entertainment and Recreation (NAICS Sector 71),

Accommodation and Food Services (NAICS Sector 72), and Other Services (NAICS Sector 81).

- 46 industries in sectors related to Professional, Scientific and Technical Services (NAICS Sector 54), Management of Companies and Enterprises (NAICS Sector 55), and Administrative and Support and Waste Management and Remediation Services (NAICS Sector 56).

## COVID-19 Pandemic Review and Small Business Impact

SBA recognized in its October 2020 proposed rule the impacts of the COVID-19 pandemic on small businesses. The analysis suggested size standards could be lowered; however, the SBA decided not to lower any size standards and instead maintained all size standards for industries where the analysis supported a decrease and adopt all increases where analysis supported it.

Private Sector Businesses should review the new size standards to determine their qualification status. The final rule is effective May 2, 2022.

## References

- Federal Register / Vol.87, No. 62 / Thursday, March 31, 2022 / Rules and Regulations
- "Jobs Act", Public Law 111-240, 124 Stat. 2504, September 27, 2010
- "NDAA 2017", Public Law 114-328, December 23, 2016