The Colorado Health Foundation™

September 17, 2026

Kelly Loeffler
Administrator
U.S. Small Business Administration
409 Third Street SW
Washington, DC 20416

Submitted electronically via Regulations.gov

RE: Public Comment on Proposed Rule RIN 3245-AI67, Small Business Size Standards, Docket No. SBA-2026-0199

Dear Administrator Loeffler,

Thank you for the opportunity to provide comments on the Small Business Administration's (SBA) proposed rule on Small Business Size Standards. The Colorado Health Foundation ("CHF" or "the Foundation") is a statewide, nonprofit and nonpartisan philanthropic organization with a mission to improve the health and well-being of Coloradans. Through community engagement, research, grantmaking, and private sector investments, the Foundation works to ensure that everyone in Colorado has what they need to be healthy. Evidence shows that good health and well-being are a product of multiple factors, including equitable access to economic opportunity for small businesses.

The Foundation appreciates SBA's interest in simplifying the size-standard system and allowing successful small businesses greater flexibility to grow. However, we are deeply concerned that the proposed rule goes approach to modernization would bring negative consequences for communities in Colorado and across the country. It would consolidate nearly 1,000 industry-specific standards into 338 standards, substantially increase size thresholds across many industries, and eliminate explicit maximum thresholds. SBA estimates that these changes would newly classify approximately 114,541 businesses as "small." Expanding eligibility on this scale risks significantly altering competition for federal contracting and assistance programs and disadvantaging the smaller businesses those programs are intended to support. We respectfully urge SBA to withdraw the proposed rule, retain the existing size-standard framework, and work with small businesses and other stakeholders to develop a more targeted approach to modernization.

As outlined below, the Foundation is concerned that:

- The proposed thresholds would dramatically expand the pool of firms eligible for small-business contracts and assistance, forcing many existing small firms to compete against substantially larger and better-resourced businesses.

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- The resulting harms could fall especially heavily on rural businesses and businesses owned by people of color, which often operate at smaller scale and face persistent barriers to capital, customers, and business-development resources.
- Consolidating six-digit NAICS standards into broader four- and five-digit categories risks obscuring meaningful differences among industries and business models and could produce size standards that do not accurately reflect competitive conditions within specific industries.
- SBA's analysis does not adequately account for how federal contracting opportunities and other program resources could shift among firms within a substantially expanded small-business category, including the effects on existing small contractors and participants in programs intended to expand access to federal contracting.

The scale of SBA's proposed expansion is significant. Under the proposal, the number of size standards would fall from 978 six-digit NAICS standards and 18 subindustry exceptions to 338 standards at the four- and five-digit levels. SBA would also remove the current maximum thresholds. In some industries, the result is a dramatic redefinition of what counts as "small." For example, the standard for Semiconductor and Related Device Manufacturing would increase from 1,250 to 2,800 employees, Ship and Boat Building would be set at 2,300 employees, and several computer-services industries would move from a $34 million receipts standard to a $531 million standard.

These changes would have immediate consequences for federal contracting. SBA estimates that approximately 37,002 firms holding more than 105,000 federal contracts in fiscal year 2025 would become newly eligible as small businesses. The proposed rule also states that contracts awarded to firms that would newly qualify as small could count toward an agency's small-business contracting goals, even when the underlying procurement was competed on an unrestricted basis rather than reserved for small businesses. This creates a significant policy concern because agencies could report improved performance against their small-business goals without increasing the number or value of contracting opportunities specifically made available to smaller firms. An agency could receive additional small-business contracting credit simply because the definition of small has expanded to include larger firms that were already successfully competing for and winning unrestricted federal contracts.

The Foundation strongly believes it is important to preserve the integrity and purpose of federal small-business contracting goals by ensuring they reflect meaningful increases in contracting opportunities for smaller firms, rather than improvements driven primarily by broader eligibility standards. If businesses already capable of successfully competing in the unrestricted marketplace are reclassified as small, agencies may be able to satisfy a greater share of their small-business goals without increasing the use of set-asides, expanding outreach to smaller firms, or addressing barriers that limit participation in federal contracting. The result could be an improvement in reported small-business contracting performance without a corresponding increase in opportunity for businesses that currently qualify as small.

SBA itself acknowledges the potential competitive effects of the proposal. The proposed rule recognizes that expanding eligibility is likely to increase competition for small-business contracts, may reduce profits, and may reduce the likelihood that firms qualifying under the current standards win federal work. SBA further states that the rule "may have a significant impact on a substantial number of small businesses." The Foundation believes these potential impacts warrant greater consideration in SBA's analysis and rules. Although SBA estimates that relatively few firms would lose small-business status, that measure alone does not capture the effects on existing small businesses. SBA should also consider how federal contracting opportunities and program resources may shift within a substantially expanded pool of firms eligible for small-business assistance.

These potential effects are especially concerning for rural businesses and businesses owned by people of color. SBA's 2025 Colorado Small Business Profile identifies more than 91,000 rural businesses in Colorado and approximately 168,000 businesses owned by Hispanics or racial minorities. These firms are an essential part of local economies, but many operate with fewer resources and thinner margins than larger businesses. The Federal Reserve's 2026 rural and urban small-business data show that rural employer firms are concentrated at smaller revenue levels: 78 percent report annual revenues of $1 million or less, compared with 65 percent of urban firms. Rural businesses also rely more heavily on community banks and face location-specific challenges such as smaller labor pools and supply-chain constraints.

Businesses owned by people of color also continue to face substantial disparities in financing. In the Federal Reserve's 2026 chartbook on firms by race and ethnicity of ownership, 57 percent of white-owned applicants for loans, lines of credit, or merchant cash advances received full approval, compared with 39 percent of Asian-owned applicants, 33 percent of Hispanic-owned applicants, and 32 percent of Black-owned applicants. Black-owned firms were denied at more than twice the rate of white-owned firms, and Black- and Hispanic-owned nonapplicants were also substantially more likely to report being discouraged from applying because they did not expect to be approved. These disparities affect a business's ability to invest, hire, withstand volatility, and pursue new customers. Reclassifying substantially larger firms as "small" without accounting for these existing disparities risks further widening the competitive distance between businesses entering federal programs with very different levels of financial and organizational capacity.

The concern extends beyond general small-business set-asides. Size eligibility is also a threshold requirement for SBA programs such as HUBZone, Women-Owned Small Business, Service-Disabled Veteran-Owned Small Business, and 8(a), although each program has additional eligibility criteria. Dramatically higher size ceilings could allow substantially larger firms that satisfy those additional requirements to compete within programs specifically designed to expand opportunity for businesses and communities that have historically had less access to federal contracting. This is particularly

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significant for rural communities, where HUBZone and other federal small-business programs can be an important source of economic activity and business growth.

The proposed move from six-digit NAICS standards to broader four- and five-digit categories also warrants reconsideration. Administrative simplicity is a legitimate objective, but simplicity should not come at the expense of standards that accurately reflect the industries to which they apply. Businesses grouped under the same four-digit industry code can have very different labor intensity, capital needs, customer bases, geographic markets, and competitive structures. The existing distinction between ship building and boat building is one example: SBA cites the separate standards as a potential source of confusion, but those distinctions also recognize that the activities can operate at materially different scales. A more targeted effort to address ambiguous classifications could reduce unnecessary complexity without eliminating hundreds of industry-specific distinctions.

The Foundation is also concerned that the proposed cost-benefit analysis gives insufficient attention to these distributional effects. SBA concludes that the overall economic impact of the proposal as limited, while also anticipating a substantial increase in the number of eligible firms and acknowledging that contracting opportunities may shift among businesses. The proposal places considerable emphasis on the administrative benefits of a shorter size-standard table but provides comparatively little analysis of which firms may gain or lose opportunities as the category of small business expands. A policy change of this magnitude should be evaluated not only by the net number of businesses classified as small, but also by how federal contracts, certifications, lending opportunities, and other program benefits may shift among firms with substantially different size, resources, and access to capital.

For these reasons, the Foundation respectfully urges SBA to withdraw the proposed rule and retain the existing size-standard framework while engaging small businesses, contracting officials, lenders, and other community perspectives on more targeted approaches to modernizing the standards. The Foundation appreciates SBA's interest in simplifying the size-standard system and allowing successful small businesses greater flexibility to grow. However, the proposed changes are too broad and risk significantly altering competition for federal contracting and assistance programs in ways that could disadvantage the smaller businesses those programs are intended to support. Before pursuing changes of this magnitude, SBA should conduct additional analysis and develop a more tailored approach that preserves meaningful opportunities for existing small businesses, particularly those in rural communities and businesses owned by people of color.

As SBA considers future changes to the size standards, the Foundation urges the agency to take a more measured approach that gives greater weight to the potential impacts on existing small businesses. Any future proposal should be informed by a fuller assessment of how changes to eligibility could affect competition for federal contracting opportunities, access to SBA programs and resources, and the ability of smaller firms to compete with newly eligible businesses that may have significantly greater financial and operational capacity. Particular attention should be given to businesses in rural communities and businesses owned by people of color, which already face substantial and well-documented barriers to capital, customers, and business-development opportunities. The Foundation also strongly believes it is important to preserve the integrity and purpose of federal small-business programs and contracting goals by ensuring that changes to the size standards meaningfully expand opportunity for small businesses rather than inadvertently reducing opportunities for the firms those programs are intended to support.

Efforts to give growing firms greater flexibility and simplify the size-standard framework should not result in defining small business so broadly that firms with substantially different resources, capacity, and access to capital are placed in the same competitive category. Any future proposal should be informed by a transparent assessment of how changes would affect existing small businesses, including participation and competition across federal small-business programs, while providing stakeholders with a meaningful opportunity to review and comment. A more measured approach would allow SBA to update its standards while continuing to advance economic opportunity, support entrepreneurship, strengthen local economies, and ensure that small businesses facing the greatest barriers are not placed at a further disadvantage.

The Foundation appreciates your consideration of our comments. If you have any questions, please contact Kyle Rojas Legleiter, Colorado Health Foundation Senior Director of Policy, at klegleiter@coloradohealth.org or 303-953-3618.

Sincerely,

Kyle Legleiter

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The Colorado Health Foundation