



September 21, 2026

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

RE: Comments on SBA Proposed Rules regarding Small Business Size Standards

- Proposed Rule: Small Business Size Standards, RIN 3245-AI67; Docket No. SBA-2026-0199; 91 Fed. Reg. 53,741 (Aug. 20, 2026)
- Proposed Rule: Small Business Size Standards: Revised Size Standards Methodology, Docket No. SBA-2026-0265; 91 Fed. Reg. 54,096 (Aug. 20, 2026)

Dear Associate Administrator Lambert:

On behalf of the American Council of Engineering Companies (ACEC), I am pleased to submit the following comments in response to the U.S. Small Business Administration's (SBA) proposed rules as published in the *Federal Register* Volume 91, Number 160 (Thursday, August 20, 2026), which introduce a Revised Size Standards Methodology and propose significant increases to the small business size standards.

ACEC is the business voice of the U.S. engineering industry. Founded in 1906, ACEC is a national federation of 51 state and regional organizations representing nearly 5,500 engineering companies and nearly 600,000 engineers, surveyors, architects, and other specialists nationwide. Our membership is overwhelmingly comprised of small businesses: 85 percent of our member companies employ 100 or fewer individuals, and 74 percent have 50 or fewer employees. ACEC member firms drive the design of America's physical infrastructure and built environment, including our nation's water systems, energy grid, transportation networks, and public works.

ACEC supports an increase in the small business size standards when supported by economic data with a sound methodology. Our August 2025 comments on that proposed rule with a modest increase in most of the size standards for NAICS codes under which our members perform work validated that proposed approach. We encourage SBA to consider whether targeted transition mechanisms could better address small business growth while maintaining a meaningful distinction between small and established mid-sized businesses.

As problem solvers, our engineering industry leaders keep asking the same question: *What is the public policy procurement challenge the SBA is attempting to fix with these size standard increases?* Why are traditional inflation-based approaches deemed insufficient? ACEC conceptually aligns with the apparent objectives in SBA's August 20, 2026 proposed rule to

streamline the size standards framework, mitigate premature graduation from small business programs, and alleviate the competitive cliff that mid-sized firms encounter. A balanced, incremental adjustment to these thresholds provides a necessary runway for expanding businesses. This stability allows firms to retain critical personnel, sustain core capabilities, independently compete against large prime firms, and enhance subcontracting capacity to support the delivery of critical infrastructure.

However, ACEC has substantial concerns regarding the aggregate impact of the proposed structural changes. The simultaneous implementation of a new average market-size formula, the removal of explicit maximum caps, the elimination of federal disparity considerations, an expanded reliance on employee-based metrics, and the rescission of all 18 regulatory exceptions exceeds routine administrative modernization. Collectively, these sweeping shifts threaten to fundamentally disrupt and redefine the established understanding of a small business within the federal procurement marketplace.

Under the SBA's August 20, 2026 proposed rule, the size standard for Engineering Services (NAICS 541330) will increase from the current receipts-based standard of \$25.5 million to \$252 million – nearly ten times the current level. Other NAICS codes under which our member firms perform work under have increases of similar magnitude. Based on the 2026 Engineering News Record Top 500 Design Firms dataset (reflecting 2025 revenue), **377 firms (75.4%)** have annual revenues below the proposed **\$252 million** proposed size standard for Engineering Services (NAICS 541330). Based on the 2026 ENR Top 500 Design Firms dataset, 377 firms report annual design revenue below \$252 million. Although actual SBA eligibility would depend on average annual receipts, affiliation, and the NAICS code assigned to a procurement, the data indicates that the proposed threshold could encompass a substantial share of the nation's largest design firms.

ACEC acknowledges that the engineering industry within the current federal marketplace has three distinct groups:

1. Traditional small businesses
2. Mid-sized firms seeking to grow independently
3. Large nation and multinational firms

We recognize the difficulty firms can experience when transitioning from small business programs into unrestricted competition. Currently, a growing "missing middle" exists in the federal A/E market. Mid-sized firms are frequently too large to qualify for set-aside opportunities, yet too small to effectively compete against the largest national and global firms on increasingly large contract vehicles. Small business subcontracting requirements, evaluation preferences for prime contractors, and the expanded use of Mentor-Protégé joint ventures further limit opportunities for independent participation. Without policy changes, many mid-sized firms are left with little choice but to partner with much larger firms rather than compete directly for federal work.

An engineering firm with \$250 million in revenue has considerably greater resources, staff depth, and market diversification to absorb the shift than a firm with \$25 million in revenue. It does not, however, eliminate the need for a deliberate, planned transition into unrestricted competition — it moves the point at which that transition occurs and gives the firm more capacity to manage it.

ACEC approaches this procurement policy change with this statement of principles:

1. Engineering services are performed by licensed design professionals focused on real property, the built environment, civil works, and civilian infrastructure (such as buildings, roads, dams, bridges, and water systems). Other engineering services, such as aerospace or computer engineering, should not be included in determining small business size standards for real property design professionals.
2. Engineering design professionals should be evaluated and selected using Qualifications-Based Selection (QBS).
3. Small business policies should encourage growth and successful project outcomes.
4. Engineering firms of all disciplines need clarity and certainty.

As an association with many small businesses and other-than-small businesses, we respectfully request that SBA withdraw the proposed rule and go through the traditional process where small businesses have an opportunity to meaningfully comment on both the methodology and then on the standards themselves. Current small business policies have their shortcomings; so too does this proposed rule. ACEC does not support the increases in the proposed rule as written.

If the proposed rule were to go forward in similar form, we seek to point out in the remaining pages market implication, unintended consequences, inconsistencies with other laws/regulations, and where possible – potential solutions.

I. Small Business Act Statutory Framework and Program Purpose

ACEC strongly supports the objectives of the Small Business Act and the federal government's longstanding commitment to fostering opportunities for emerging businesses, disadvantaged firms, and entrepreneurs. Small business participation remains essential to innovation, competition, workforce development, and economic growth.

Under the Small Business Act, the SBA holds the statutory authority and obligation to establish precise size standards. Non-dominance is statutorily important, but implementation of historical size standards prove that more factors are worth consideration. Congress should consider additional legislative authorization for SBA methodologies for small business size standards.

Tying everything back to the Small Business Act, small business goals should reflect meaningful opportunity creation. Reclassifying thousands of existing federal contractors as small businesses could significantly improve reported agency small business performance without necessarily creating additional contracting opportunities for traditionally small firms.

ACEC's concern is one of calibration rather than direction, and we ask SBA to explain how it will preserve meaningful opportunity across that range. The proposed standard could create a competitive imbalance within the set-aside market if it is not paired with corresponding program reforms, and SBA should confirm how the expanded pool remains consistent with the core statutory purpose of the Small Business Act, which is to protect and assist the interests of small business concerns. Smaller firms may find set-aside work harder to win as the eligible pool widens, even as mid-sized firms gain prime access and joint-venture standing that the current \$25.5 million standard denies them. The net effect on each segment is what SBA has not yet analyzed, and we urge the SBA to do so before finalizing any standard.

Recommendation: SBA should evaluate whether the proposed changes could unintentionally shift the focus of small business goals from expanding participation to simply reclassifying existing market participants.

II. Methodology – Aligning Market Definition with Federal Procurement

The SBA selected a methodological anchor under which a firm with \$500 million in receipts is treated as not dominant in a \$20 billion market because it would hold only a 2.5 percent share.¹ Non-dominance, however, is not the same as smallness relative to likely competitors for a federal set-aside. A \$500 million company may be non-dominant in an aggregate national market while possessing resources, systems, past performance, and proposal capacity that a start-up or \$10 million firm cannot realistically match.

Stakeholders cannot test each NAICS threshold without the underlying datasets, cleaning rules, assumptions, geographic-market estimates, net-import adjustments, factor weights, rounding conventions, and firm distributions. Aggregate counts of firms gaining eligibility do not show accurately who would practically compete within a federal market or how firms at different points in size distribution would be affected.

For every broader group, the record should show the result for each component six-digit industry before aggregation, the number and distribution of newly eligible firms, their federal obligations, and the competitive overlap among the businesses being combined. SBA should also show how productivity growth, inflation, industry volatility, geographic-market assumptions, and alternative factor weights affect the resulting thresholds. ACEC encourages the SBA to demonstrate that any productivity adjustment used in establishing the new standards accurately reflects productivity within the A/E industry rather than relying primarily on economy-wide measures. Today's broader engineering industry is adapting to new technology tools that impact business models while still protecting licensure standards.

Federally-focused engineering firms face increasing labor costs, technology investments, cybersecurity requirements, insurance costs, regulatory requirements, and the need for greater organizational depth to compete successfully for federal architecture-engineering contracts. Federal contractors must sustain costly operational infrastructure—including DCAA-compliant accounting systems, NIST/CMMC cybersecurity controls, facility clearances, professional certifications, contract vehicle compliance, and dedicated capture personnel—simply to remain eligible to compete. These costs are relevant not simply because they increase receipts, but because they demonstrate the organizational scale increasingly required to function successfully as an independent federal A/E prime.

The international infrastructure sector illustrates why SBA should not assume uniform market conditions across professional services. Some internationally focused small firms report severe market contraction, while other ACEC members in defense-related markets support a larger growth runway. Therefore, SBA should test the methodology by agency customer, mission segment, and subsector rather than relying on a single group-wide assumption.

Additionally, the proposal does not directly address the 8(a) regulations governing Alaska Native Corporation, Tribal, or Native Hawaiian organization participants. ACEC Alaska and ACEC

¹ 91 FR 54150.

Hawaii have expressed concerns about how the proposed rules will impact these entities. ACEC Hawaii represents 70 member firms with more than 2,500 employees in Hawaii. Of those firms, 56 (80%) report 50 or fewer employees in Hawaii, and 64 (91%) report 100 or fewer. On the broader question of overall member perspective, nearly three-fourths of respondents (76%) indicated that they generally oppose the proposed size standards. The remaining respondents were evenly split between generally supporting the proposal with modifications and indicating that they need more information before taking a position. No respondent supported the proposed standards as currently presented.

Recommendation: Publish a calculation workbook, data dictionary, and technical appendices sufficient to reproduce every standard. Disclose component industries, firm-size distributions, current and newly eligible firms. Disclose federal obligations and contract counts by size band, factor values and weights, and sensitivity analyses testing productivity, inflation, industry volatility, including the percentage of firms in each band winning unrestricted prime A/E work, so the record shows where firms begin demonstrating sustained ability to compete independently after graduation.

III. Methodology – The Distinct Nature of "Engineering Services" (NAICS 541330) and the Built Environment

The professional services industry is not monolithic – neither are engineering services.

A common parent NAICS code does not, by itself, establish a common competitive market. NAICS categories were designed to classify industries for statistical purposes, not necessarily to define the markets in which firms compete.² Broad groupings can therefore create false equivalencies among firms serving different customers and mission requirements. The inverse is also true. Similar sounding services can serve the same customers but perform vastly different services.

ACEC has consistently raised concerns to past proposals, including our submissions in 2011, 2021, and 2025, regarding the SBA's reliance on economic census data that fails to distinguish between different sectors of the engineering industry. Currently, NAICS Code 541330 (Engineering Services) aggregates two fundamentally different business models:

- **Licensed design professionals** focused on real property, the built environment, civil works, and civilian infrastructure (such as buildings, roads, dams, bridges, and water systems).
- **Manufacturing, defense, and management giants** engaged in the design, development, and utilization of aerospace equipment, military weapons, machines, materials, instruments, and processes.

The combined data heavily skews the SBA's size standards calculations. The top vendors listed under NAICS 541330 in federal procurement databases are dominated by non-real property defense and aerospace conglomerates such as General Dynamics, Raytheon, Northrop Grumman, and Lockheed Martin. These manufacturing and systems-integration firms operate under massive national contracts and maintain vastly different cost structures, capital intensity, and labor models than civil infrastructure engineering firms. Federal government procurement data already

² U.S. Census Bureau, Economic Census: NAICS Codes & Understanding Industry Classification Systems (explaining that NAICS is a production-oriented, hierarchical classification system that groups establishments according to similarities in the processes used to produce goods or services), Census NAICS guidance (last visited Sept. 16, 2026).

differentiates these services; ACEC firms are involved with procurements associated with Product and Service Code (PSC) “Architect/Engineer Services.”

By combining these sectors, the economic base can inflate the calculated size standard for real-property engineering firms. Licensed A/E firms operate under professional-liability, public-safety, site-specific, and qualifications-based requirements that differ materially from defense, aerospace, software, and manufacturing engineering markets. SBA should use alternative data or adjust its calculations to isolate the board-licensed professional engineering sector serving the built environment.

Below are common NAICS codes our members perform work:

NAICS Code	Current Threshold	August 2025 Proposed	August 2026 Proposed
Architectural Services 541310	\$12.5 Million	\$16 Million	\$135 Million
Landscape Architectural Services 541320	\$9.0 Million	\$11 Million	\$59 Million
Engineering Services 541330	\$25.5 Million	\$29 Million	\$252 Million
Building Inspection Services 541350	\$11.5 Million	\$12 Million	\$36 Million
Geophysical Surveying and Mapping 541360	\$28.5 Million	\$29 Million	\$204 Million
Surveying and Mapping 541370	\$19.0 Million	\$19.0 Million (unchanged)	\$92 Million
Interior Design 541410	\$9.0 Million	\$11.5 Million	\$158 Million
Industrial Design 541420	\$17.0 Million	\$19.5 Million	\$158 Million
Environment Consulting Services 541620	\$19.0 Million	\$19.0 Million (unchanged)	\$295 Million

Procurement of real property engineering services should be evaluated as a distinct market. Most of the work that ACEC engineering firms represent are subject to Federal Acquisition Regulation (FAR) subpart 36.6 and 40 U.S.C. chapter 11 (commonly known as the Brooks Architect Engineer Act or Brooks Act) which requires at least three qualified offerors be identified in order to select one to proceed with the work. In past comments, ACEC noted that the “Rule of Two” historically includes “...contracts that are competitive in terms of price, quality, and delivery.” Architectural and Engineering (A/E) services are often excluded by the fact that price cannot be considered during the selection of the offerors and is only addressed as fair and reasonable during negotiations with the most qualified, prior to the award of a contract or task order. Under Brooks Act procurement procedures, price quotations are specifically not allowed to be considered in the selection process.

Public Law 92-582 (Brooks Act) and 40 USC CHAPTER 11 - SELECTION OF ARCHITECTS AND ENGINEERS states; “The policy of the Federal Government is to publicly announce all requirements for architectural and engineering services and to negotiate contracts for architectural and engineering services on the basis of demonstrated competence and qualification for the type of professional services required and at fair and reasonable prices.” This policy was established to assure that physical infrastructure would be designed to protect the safety of the public while efficiently and effectively performing intended functions. Subsections 1103(c) and (d) of USC 40 Chapter 11 require agency heads to evaluate qualifications and performance data submitted annually or specifically and conduct discussions with at least three companies and select from those discussions at least three companies considered the most highly qualified to provide the services required, in order of preference. Negotiations of scope and cost of services are then sequentially conducted, starting with the most qualified offeror, until an acceptable scope and fair and reasonable price is reached.

Application of small-business acquisition policies to Brooks Act procurements should preserve meaningful qualifications-based competition and provide contracting officers with a sufficient pool of highly qualified firms. Size-standard policies should not be applied in a manner that compromises the statutory requirement to select A/E firms based on demonstrated competence and professional qualifications.

While most of our comments are focused on NAICS Code 541330, NAICS Code 541620 would rise from \$19 million to \$295 million in average annual receipts – an even larger increase than 541330. Environmental consulting shares nearly every structural feature we have identified for infrastructure engineering: professional licensure, direct public health and environment liability, project-specific and non-repeatable deliverables, and procurement that is regional and rather agency-specific rather than national. We do not believe that the data or methodology SBA used to calculate this standard adequately separates environmental compliance and remediation consulting from the broader, more diversified “management, scientific, and technical consulting” activity captured in NAICS 541620.

ACEC supports an increase in the small business size standards when supported by economic data with a sound methodology. An increase would provide successful small engineering businesses meaningful additional room to grow without fundamentally changing the population that the federal small business program is intended to serve.

Recommendation: Procurement of real property engineering services should be evaluated as a distinct market. SBA should examine dominance and competitive overlap within each industry.

IV. Transportation Program and DBE Disparities

ACEC’s concern about the increase in the size standard is further highlighted by federal transportation procurement regulations. The U.S. Department of Transportation (USDOT) Disadvantaged Business Enterprise (DBE) program regulations tie DBE certification to SBA size standards but enforce a standalone, statutory business size cap—currently set at \$32.82 million in gross revenue (49 CFR Part 26). Raising the SBA size standard for engineering services to \$252 million creates a substantial disparity between federal small-business eligibility and DBE eligibility for FHWA- and FTA-assisted work: a firm earning \$100 million or \$200 million would be classified as a “small business” by the SBA, yet would exceed the USDOT DBE size

limit by more than six-fold. This disparity shows that a \$252 million threshold, whatever its benefits at the federal prime level, would need to be reconciled with the statutory DBE cap before an engineering firm can work coherently across federal infrastructure programs. If firms are forced to grow/merge to remain competitive in the federal small business marketplace, it may force these engineering firms to give up small business pursuits at the state and local level. This unintended consequence could disrupt the municipal engineering market across the country.

Recommendation: The SBA, USDOT, and the Office of Management and Budget (OMB) should consider this disparity and its implications, particularly in recognition of USDOT's influence on the U.S. engineering market.

V. Protect Current Small Businesses and New Entrants from Displacement

Reclassifying established firms as small entities may elevate agency small business achievement metrics without increasing real opportunity for traditionally small firms or new entrants.

The core risk of the proposed rule is firm displacement. Larger newly eligible firms would enter set-aside competitions with deeper past performance, proposal capacity, business systems, capital reserves, and compliance infrastructure. In markets shaped by long-duration contract vehicles, bundled acquisitions, cybersecurity requirements, and Qualifications-Based Selection, these advantages can push smaller firms toward subcontracting roles, acquisition, or market exit rather than independent prime contracting. For particularly specialized engineering firms, this dynamic is especially acute. Procuring agencies risk permanently losing specialized technical capabilities, institutional customer knowledge, and long-term competitive sources. At the same time, many newly eligible firms are themselves employee-owned or founder-led firms that have simply outgrown a receipts threshold set below the cost of competing for federal A/E work; SBA's analysis should distinguish that population from firms whose scale comes from a different competitive position.

ACEC recognizes, however, that a calibrated increase could help growing and mid-sized firms preserve independence, absorb federal compliance costs, retain talent, and compete more credibly against the largest firms. Therefore, SBA should distinguish between targeted relief for demonstrable market barriers and a broad redefinition of small business that combines firms with materially different resources, contract histories, and competitive positions.

SBA should evaluate impacts by federal customer, mission segment, and firm-size band, including effects on set-aside volume, full-and-open competition, subcontracting opportunities, market entry and exit, socioeconomic participation, mentor-protégé activity, and industry consolidation.

The SBA must distinguish initial market entry from long-term market retention. Regulatory initiatives targeting new entrants cannot strengthen the industrial base if established small firms exit the marketplace after absorbing substantial, recurring costs for vehicle compliance, security clearances, certified systems, and unrecovered proposal capture. Regulatory predictability is vital because firms commit capital over multi-year horizons based on anticipated federal access; expanding the eligible vendor pool without evaluating prior private investments risks discouraging both current participants and prospective entrants.

CMMC compliance is a distinct example of a real market-access barrier. Smaller A/E firms may lack the personnel, secure systems, consultants, assessments, and continuing compliance infrastructure needed to support covered defense work. In defense-related markets, a calibrated increase could help capable mid-sized firms remain in the federal market, but SBA should distinguish that targeted need from a broad relabeling of established contractors.

An engineering firm's annual receipts can surge rapidly upon securing a major award, only to plummet just as abruptly due to contract termination, scope reduction, expiration, or recompetes loss. Despite revenue fluctuations, a firm's underlying overhead—including recruiting pipelines, regulatory compliance systems, payroll commitments, and customer concentration risks—remains fixed. The SBA should look beyond top-line revenue and evaluate holistic resilience indicators, including contract concentration, staffing scale, capitalization, credit access, geographic footprint, and a firm's capacity to absorb the loss of a major contract, with explicit consideration for the distinct impacts on SDVOSBs and other socioeconomic programs.

Recommendation: SBA should distinguish between targeted relief for demonstrable market barriers and a broad redefinition of small business that combines firms with materially different resources, contract histories, and competitive positions.

Recommendation: SBA should evaluate impacts by federal customer.

Recommendation: SBA must distinguish initial market entry from long-term market retention.

VI. The Lack of a Limiting Principle, Growth Mechanisms, and Mid-Sized Firm Access

SBA's proposed revised methodology removes the historical maximum size thresholds (caps) that previously constrained receipts-based standards, retaining only minimum floors. ACEC believes that a methodology calibrated solely to exclude the most dominant national firms lacks a reasoned limiting principle. A methodology that can designate an engineering firm with a quarter-billion dollars in receipts as a "small business" should be accompanied by a reasoned explanation of how that result serves the legislative intent of the Small Business Act.

Rather than inflating size standards to a quarter-billion dollars, Congress and the SBA have already established effective, proven mechanisms to support small engineering firms as they scale and graduate. Specifically, the Small Business Runway Extension Act of 2018 (P.L. 115-324) modified the Small Business Act to extend the receipts averaging period from three years to five years, giving growing firms two additional years of revenue buffering to absorb large contract awards and smooth out growth fluctuations before graduating.

A very high standard may also encourage mergers, joint ventures, and teaming structures designed to assemble capacity for larger set-aside vehicles. Federal policy should support independent growth through technical excellence and project delivery, not inadvertently reward consolidation as the main path to competitiveness.

Recommendation: SBA should restore a limiting principle that keeps receipts-based standards tethered to the industry data supporting them, and should disclose the basis for whatever upper bound it adopts so that firms of every size can plan against a stable standard.

Recommendation: Explain how any resulting threshold remains consistent with the Small Business Act’s purpose of assisting firms that are small relative to their actual competitive market.

VII. The Mid-Sized Firm Challenge

ACEC recognizes the difficulty firms can experience when transitioning from small business programs into unrestricted competition. Without policy changes, many mid-sized firms will be left with little choice but to partner with much larger firms rather than compete directly for federal work.

ACEC recognizes that the proposed rule could provide significant benefits to growing and mid-tier firms. A longer runway before graduation can help firms retain talent, continue investing in federal business systems, gain additional access to set-aside opportunities and capital, identify a broader pool of capable teaming partners, and compete more credibly against the largest firms. It may also provide liquidity and succession options in a market where ownership transition and consolidation pressures are already significant. Those interests are real and should be addressed transparently.

Higher size thresholds may benefit growing entities by extending their small business status, offering time to build organizational scale before entering full and open competition. This extended buffer can help firms maintain independence, preserve technical capabilities, and reduce pressure for premature sale upon graduation. Higher thresholds may also make growth through outside investment or acquisition a more viable path for firms seeking the capital and systems needed to compete independently at scale, rather than evidence of consolidation working against small business interests. SBA should distinguish firms using new capital to build lasting, independent capability from any narrower set of cases where set-aside access alone is the objective.

The appropriate size standard should reflect the point at which a growing firm has developed a reasonable ability to compete independently in the unrestricted federal market. The SBA must work strategically and deliberately to improve access for all engineering firms who want to have independence from forced alliances in order to serve the nation’s interests.

Recommendation: The mid-size engineering firm challenge is real and should be addressed transparently and directly. ACEC seeks to work with the SBA on potential solutions. The limited comment period constrained the ability of stakeholders to fully explore and explain potential alternatives.

Recommendation: SBA should work with Congress, the Office of Federal Procurement Policy at OMB, the FAR Council, and procuring agencies to develop targeted solutions that address mid-sized firm access without relying solely on expansion of the small business definition.

VIII. Affiliation, Socioeconomic Programs, and Mentor-Protégé Policy

Raising size thresholds would permit significantly larger firms to qualify as small or extend their eligibility. This section focuses on the program-design effects: socioeconomic certification, affiliation treatment, and mentor-protégé incentives.

SBA should analyze how the proposed standards interact with affiliation rules. Under current rules, companies under common ownership or control generally must aggregate revenues or employee headcounts, which can produce inconsistent results when commonly owned businesses operate in unrelated markets. Before finalizing standards that increase thresholds by five to ten times current levels, SBA should consider whether affiliation aggregation remains properly calibrated to the relevant field of operation while preserving safeguards against circumvention.

Reasonable alternatives could include limiting aggregation where commonly owned businesses operate in unrelated markets, requiring a closer nexus between affiliated entities and the applicable field of operation, or adopting targeted exceptions that preserve anti-avoidance protections without disqualifying firms based on unrelated-market ownership structures.

The proposed expansion would also fundamentally alter the practical role of the SBA Mentor-Protégé Program in the federal A/E market. For many developing architecture and engineering firms, a mentor-protégé joint venture is the principal way to build prime-level past performance that the firm cannot yet obtain alone. The protégé is expected to control the joint venture, perform meaningful and core work, and learn alongside an experienced partner on larger and more complex federal requirements. In practice, this structure functions as a disciplined apprenticeship model: it gives the developing firm a guided path toward independent prime contracting while giving federal agencies confidence that large, technically demanding projects will be performed by a capable team.

ACEC is concerned that raising the ceiling toward a quarter-billion dollars could remove the very reason many of those relationships form. Once firms can reach a substantially larger universe of set-aside procurements on their own, the incentive to enter a mentor-protégé agreement may diminish for both parties. Developing firms would lose a structured pathway to prime-level experience, while mentors would have less reason to invest executive time, technical judgment, proposal support, and institutional knowledge in the next generation of firms. The result would not necessarily be broader opportunity. It may instead place smaller developing firms into a much larger small-business pool where they must compete directly against firms with \$150 million to \$250 million in revenue carrying the same small-business label.

Mentors respond to incentives as well. If fewer firms need a mentor to reach set-aside opportunities, and if the small-business pool becomes populated by much larger and already sophisticated firms, fewer experienced firms may take on the work of developing smaller protégés. That would undermine the central purpose of the mentor-protégé framework at the same time SBA states that it is seeking to expand opportunity. In the federal A/E market, where past performance and specialized technical qualifications are often decisive under qualifications-

based selection, weakening the primary market-entry vehicle for developing firms would be especially consequential.

SBA should also analyze the consolidation effects of this change. Mentor-protégé joint ventures have become a dominant market-entry vehicle in federal A/E contracting. A higher size standard that extends a post-acquisition or post-growth set-aside runway may make firms more attractive acquisition targets and may accelerate consolidation, particularly where acquiring or combining firms can preserve access to set-aside work for a longer period. If the proposed rule encourages consolidation while reducing the number of independent developing firms receiving meaningful mentoring, it could undermine the rule's stated objective of expanding opportunity for small firms. SBA should confirm that mentoring incentives and protégé eligibility remain intact for firms operating well below the new ceiling, regardless of how those firms reached their current scale.

Within socioeconomic programs, size remains a critical, though not exclusive, component of eligibility. Integrating significantly larger firms into these subsets requires the SBA to systematically evaluate whether current sole-source thresholds, joint-venture frameworks, and mentor limitations remain properly calibrated to accommodate a wider distribution of firm sizes. Finally, the SBA must explicitly identify and preserve all distinct statutory set-aside and sole-source authorities—including governmentwide SDVOSB authorities and VA-specific VOSB/SDVOSB frameworks under Veterans First—absent explicit congressional direction to the contrary.

Reworking teaming and affiliation relationships will require significant company attention and leadership time that could otherwise be devoted to proposal development and current contract execution. The SBA should consider these transition costs in its analysis rather than treating reclassification as costless or without market tradeoffs.

If SBA proceeds with significant increases to the size standards, it should preserve incentives for experienced firms to continue mentoring, maintain protégé eligibility and mentor-protégé benefits for firms that are genuinely developmental, and avoid opening the core benefits of the program to firms operating near the new ceiling. The agency should also study the likely effect of the rule on mentor-protégé and joint-venture participation before finalizing any standard, including whether participation by smaller protégés would decline as larger firms gain direct access to set-aside opportunities.

For these reasons, SBA should not treat the mentor-protégé program as a collateral issue. The program is one of the few structured mechanisms that allows developing A/E firms to gain prime-level experience on larger federal requirements without immediately being expected to compete alone against established firms. Any final rule should therefore preserve the developmental character of the program, protect existing relationships, and ensure that the expanded size standards do not reduce the incentives that make mentoring and joint ventures work in practice.

Recommendation: SBA should consider whether affiliation aggregation remains properly calibrated to the relevant field of operation while preserving safeguards against circumvention.

Recommendation: SBA should preserve incentives for experienced firms to continue mentoring, maintain protégé eligibility and mentor-protégé benefits for firms that are genuinely

developmental, and avoid opening the core benefits of the program to firms operating near the new ceiling. The agency should also study the likely effect of the rule on mentor-protégé and joint-venture participation before finalizing any standard, including whether participation by smaller protégés would decline as larger firms gain direct access to set-aside opportunities.

IX. Preserve Small Business Subcontracting Opportunities

If more procurement opportunities become set-asides, or if former large firms are reclassified as small, fewer prime contracts may remain subject to formal small business subcontracting plans. That could reduce one of the primary entry paths through which emerging firms gain federal past performance, technical capacity, and operational scale.

The proposed rule creates unaddressed operational questions regarding the administration of active subcontracting plans. Although a contractor's post-award size re-representation alters agency reporting metrics and small business credit, re-representation does not automatically void existing contractual subcontracting plan mandates. The SBA and the FAR Council must issue joint guidance establishing how FAR 52.219-9 (*Small Business Subcontracting Plan*) and FAR 52.219-28 (*Post-Award Small Business Program Representation*) apply when a contractor transitions to small business status solely due to administrative threshold adjustments.

Absent uniform regulatory direction, federal agencies and prime contractors will apply active subcontracting plans inconsistently. Unilateral termination or reduction of existing plans risks eliminating projected opportunities for small subconsultants without a formal agency finding that those capabilities are no longer required. Conversely, enforcing existing plans without accounting for a prime's revised size status creates reporting anomalies and credit distortions. The final rulemaking must establish consistent, prospective, governmentwide rules governing active subcontracting plans.

Recommendation: SBA should evaluate whether subcontract dollars would migrate toward newly reclassified firms rather than expanding opportunities for traditional small businesses.

Recommendation: SBA should distinguish utilization credit awarded to newly reclassified firms from work performed by emerging small businesses, including socioeconomic firms that depend on subcontracting to build capacity.

X. Address Bundling, Goaling, and Workforce Capacity

Contracting officers may conclude that larger bundled requirements are compatible with small business participation because newly eligible firms possess the scale to perform them. Discrete task scopes, multiple pools, on-ramps, BPAs, contractor team arrangements, and proportional evaluation criteria can mitigate these risks, but will not occur automatically. Mission-critical or high-risk acquisitions must continue to use evaluation criteria that test relevant capacity, experience, and performance risk without relying on size status as a proxy for capability.

The SBA must address whether this proposed rule policy shift inflates small business goals. SBA should evaluate whether the proposed expansion in eligibility could significantly increase agency-level small-business set-aside and subcontracting expectations beyond the government-wide statutory goal of twenty-three percent for small-business prime contracting (five percent for certain

socioeconomic categories, including women-owned, small disadvantaged, and service-disabled veteran-owned small businesses), and whether any resulting increase would create new opportunities or primarily reclassify existing market participants. While large prime contractors may initially welcome a broader pool of qualified small business partners to enhance teaming flexibility and fulfill utilization goals on complex procurements, this operational convenience carries significant policy trade-offs. The SBA must evaluate whether administrative utilization credit will migrate away from resource-constrained, emerging small businesses toward newly reclassified enterprises possessing substantially greater resources, infrastructure, and market maturity.

Large prime contractors depend heavily on independent socioeconomic partners—including SDVOSBs, WOSBs, and HUBZone firms—to deliver specialized capabilities and satisfy negotiated subcontracting goals. If raising size thresholds accelerates market consolidation or forces smaller vendors out of the marketplace, the nominally larger "small business" pool will contain fewer independent socioeconomic entities. Consequently, large prime contractors may encounter severe obstacles in meeting established socioeconomic goals despite maintaining active outreach and good-faith subcontracting efforts.

The proposed rule will likely have an impact on the capacity of the government workforce. In recent years, both the SBA and offices at departments and agencies known as the Office of Small and Disadvantaged Business Utilization (OSDBU) have lost long-time personnel with knowledge and capacity to serve small business concerns. With any major changes small business policy, the SBA and OSDBUs should be resourced commensurate with any changes in size standards and related programs.

Recommendation: SBA must address the bundling of project requirements and procurement opportunities.

Recommendation: The SBA must address whether this proposed rule policy shift functionally inflates agency small business goals

Recommendation: SBA and OSDBUs should be resourced commensurate with any changes in size standards and related programs.

XI. Impact on the Defense Industrial Base Amidst Other Transaction Authority

We anticipate that the Defense Industrial Base will shrink if the NAICS Code 541330 size standard is changed as proposed, consistent with recent DIB reduction as defense services have increased the size of contracts.

The U.S. Army Corps of Engineers (USACE) and the Naval Facilities Engineering Systems Command (NAVFAC) are the largest federal government customers for our members. ACEC supported the authority for the Department of War to have explicit authorization from Congress to do Progressive Design-Build (PDB). It has been a growing trend in the private sector with good results.³ However, we are finding various Military Services are pushing project leaders to use PDB or traditional Design-Build (DB) and practically requiring approval to use other project delivery

³ ACEC Research Institute, Progressive Design-Build – Practice, Perception, and Potential, May 2025.

methods such as Design-Bid-Build. Additionally, the Military Services believe that to really take advantage of the true value of PDB, it needs to be done outside of the Federal Acquisition Regulation (FAR). Thus, the Services are beginning to use the Other Transaction Authority (2808a authority) for “repair and construction.” This is causing design professionals like our member engineering firms challenges where they must call their lawyers and their insurance companies during opportunity identification. This is expensive for most firms, but especially for the smaller firms. We are working with officials at the Department of War to explore ways that PDB can be accomplished within the FAR.

Recommendation: SBA should evaluate whether the proposal will unintentionally redirect capable firms away from ordinary procurement channels or encourage agencies to enlarge requirements merely to preserve unrestricted competition.

XII. Transition Framework and Protection for Existing Contracts

ACEC emphasizes that any changes to small business status, MATOC rules, or recertification requirements must protect existing contracts. We request that the SBA grandfather all existing long-term contracts, including IDIQ contracts with potential option years, to prevent negative financial and operational impacts on companies that made strategic business decisions based on previously understood rules. Disrupting the size status of active contract holders creates massive uncertainty and harms the federal government customers who depend on these firms to achieve their public missions.

The proposed rule also requires clear transition rules for mentor-protégé agreements, joint ventures, pending offers, active awards, and task orders built around existing size assumptions. Without certainty about what happens when either party’s status changes, firms may delay or avoid relationships that would otherwise support small business development.

During the comment period for the August 2025 proposed rule on size standards, ACEC noted we were pleased to see that the SBA is on track for a timely update to the size standards in 2027. Thus, ACEC expressed appreciation of the SBA’s work as timely updates provide for more predictable business planning. If the Administration and Administrator Loeffler wanted these changes, SBA should have indicated so then. With these massive changes, how can the SBA be on track for a timely update to the size standards in 2027?

Recommendation: SBA should protect existing long-term contracts, IDIQ vehicles, multiple-award contracts, task orders, mentor-protégé agreements, and related business arrangements so that firms and federal customers are not disrupted by abrupt changes in size status or recertification requirements.

XIII. Evidence-Based Policy Review to Determine Impacts

Even a more narrowly tailored final rule would affect firm eligibility, vendor pools, agency sourcing strategies, subcontracting obligations, and program enrollment. Increases in total dollars or actions labeled as small business awards would not, by themselves, demonstrate success

unless the data also show that traditionally small entities and new entrants retain meaningful prime and subcontract opportunities.

A formal review schedule should track offeror counts, award distribution by firm-size band, entry and exit rates, contract vehicle access, subcontracting plan coverage, actual workshare, socioeconomic participation, independent unrestricted-prime success by firm-size band, M&A activity, contracting officer workload, and mission performance. The review should separate near-term transition effects from longer-term industrial base impacts.

Recommendation: The SBA should include public implementation assessments in any final rule to monitor and determine impacts of a substantial increase in the size standards.

Recommendation: SBA should establish the pre-rule distribution of prime and subcontract A/E dollars by firm-size band and compare that baseline with post-implementation results..

XIV. Value of Public Notice and Comment Periods

Further complicating matters, the proposal allows only a 30-day comment period, an extremely compressed timeline for such a massive rewrite of rules that impact millions of small businesses. The ability of industry to support federal government critical infrastructure needs merits more time and analysis.

If simplification is truly the goal here, why give small businesses just 30 days to respond? And during the government fiscal year fourth quarter – the quarter with the most government contracting obligations. Companies are competing for new work and recompetitions at an increased frequency. Commenting on their continued existence while trying to win new work during the busiest season is unrealistic.

The simultaneous issuance of the proposed size standards methodology and the resulting size standard tables restricts the ability of stakeholders to independently evaluate the structural framework before its practical consequences are permanently codified. To properly assess the impact of this rule, regulated entities must undertake the resource-intensive tasks of reconstructing SBA mathematical calculations, mapping complex lines of business, evaluating downstream affiliation and certification risks, and modeling broader federal procurement effects.

Furthermore, the Small Business Act explicitly mandates robust public-participation requirements for any revisions to size standards, including the execution of public forums as dictated under 15 U.S.C. § 632(a)(6). To satisfy this statutory intent, the SBA must ensure that all future forums are explicitly designated to address these specific proposals, announced with adequate advance notice, and structured to be fully accessible to all interested participants. Because the public forum reached maximum registration capacity almost immediately after its announcement, meaningful stakeholder participation has been artificially constrained within a rulemaking package of exceptional breadth and economic consequence.

Additionally, during the short comment period on size standards, the SBA published a final rule on August 31, 2026 titled “Unnecessary Notice and Comment Procedures” rescinding its “self-imposed requirement” to conduct notice and comment rulemaking for certain matters including loans, grants, and contracts. According to the SBA, this shift aims to improve administrative efficiency and allow the agency to respond more rapidly to changing operational needs. While

the SBA will no longer be legally bound to solicit feedback on these specific topics, it maintains the discretionary authority to seek public input on a case-by-case basis. ACEC disagrees with this change.

Businesses of all engineering disciplines need clarity and certainty. The public notice and comment period is an essential element of federal procurement policy. Our small business owners want to know that the procurement policy direction is stable in the future so that they can build a business model that works.

Good regulations should never be a one-way street. By treating the *Federal Register* as a platform for teamwork, the government ensures its decisions reflect the true state of the market. This collaborative approach protects businesses, informs officials, and ultimately creates a stronger, more predictable economy for everyone.

Recommendation: Keep public notice and comment periods commensurate with the impact rather than when to have a public notice and comment period at all. Finalize any revised methodology only after responding to comments, then publish numerical standards for a separate comment period. Announce at least two public forums specifically identifying these proposals and provide uncapped remote participation. Multiple forums should be offered at different times of day to accommodate stakeholders in the geographies where federal work is performed around the world.

Recommendation: Extend the comment period, separate review of the methodology from review of numerical standards, and hold public forums with adequate notice, remote access, and sufficient capacity for affected small businesses and federal customers to participate meaningfully.

XV. Conclusion

ACEC appreciates SBA's responsibility to keep size standards current and supports a reasonable, evidence-based increase for architecture, engineering, surveying, mapping, and related professional services. However, the proposed increase for Engineering Services (NAICS 541330) from \$25.5 million to \$252 million and other related engineering NAICS codes create significant uncertainty and should not be finalized without a more deliberate process, clearer methodology, and transition protections.

Thank you for your consideration of ACEC's comments. We are committed to working with the SBA to find solutions without significant business disruption and ensure a vibrant marketplace for all small businesses.

For follow-up questions or more information about these comments, please contact Bradley Saull at 202-682-4342 or bsaull@acec.org.