



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: Small Business Size Standards, RIN 3245-AI67; Docket No. SBA-2026-0199; 91 Fed. Reg. 53741
(Aug. 20, 2026)

Dear Mr. Lambert:

The International Franchise Association (“iFA”) appreciates the opportunity to comment on the Small Business Administration’s (“SBA”) proposed revision of the small business size standards. We write on a single, narrow issue. We take no position in this letter on the proposal’s effect on eligibility for the Agency’s capital access programs, where broader eligibility may well serve the purposes Congress had in mind. Our concern is with federal contracting, where small business status is not a benefit that can be extended to an additional firm without being taken from someone else, and where we believe the proposal as drafted would result in real harm to the very businesses the size standards exist to protect.

iFA is the oldest and largest organization representing franchising. Our members include franchise companies in more than 300 different business categories, individual franchisees, and companies that support franchise businesses in marketing, law, technology, human resources, business development, and operations. Franchising is an engine of economic growth: iFA’s 2026 Franchising Economic Outlook projects that franchised businesses are expected to account for approximately 845,000 establishments, nearly 8.9 million direct jobs, and approximately \$921.4 billion in economic output in the United States this year, or nearly three percent of U.S. gross domestic product.¹ But it is essential to understand what those aggregate numbers actually represent. Franchising is not big business; franchising is small business. Approximately half of all U.S. franchised businesses are operated by franchisees who own a single unit.² Franchise brands are small as well: nearly half of all franchised brands operate twenty-five units or fewer.³

¹ FRANData, 2026 FRANCHISING ECONOMIC OUTLOOK (prepared for the Int’l Franchise Ass’n, Feb. 2026), <https://www.franchise.org/franchising-economic-outlook/>.

² See 2023 Mega 99 Rankings, MULTI-UNIT FRANCHISEE MAGAZINE Issue 1 (2023), https://www.franchising.com/articles/2023_mega_99_rankings.html.

³ Oxford Economics, THE VALUE OF FRANCHISING (prepared for the Int’l Franchise Ass’n, Jan. 2026), <https://www.franchise.org/2026/01/the-value-of-franchising-local-ownership-stronger-jobs-and-community-impact/>

It is worth being precise about who our members are for purposes of this comment, because the franchise model is sometimes described as though it were a vehicle for large enterprises to claim small business treatment. The businesses whose interests we are defending here are the opposite of that. They are the individual franchise owner: one location, a dozen or two dozen employees, a personally guaranteed lease and equipment note, and a local customer base. The Agency has long recognized as much. Under 13 C.F.R. § 121.103(i), the ordinary restraints a franchise agreement imposes on brand standards, advertising, and accounting format generally do not create affiliation between a franchisee and its franchisor, so long as the franchisee holds the right to profit from its own efforts and bears the risk of loss commensurate with ownership. That rule reflects the economic reality: the franchisee owns the business, capitalizes it, hires and manages its own workforce, and absorbs its own losses. When that owner competes for a set-aside contract, it competes on its own balance sheet and nothing else.

That is why the proposal concerns us. Congress defined a small business concern as one that is independently owned and operated and that is not dominant in its field of operation. 15 U.S.C. § 632(a)(1). A size standard is the Agency's translation of that definition into an administrable number, and in the contracting context it also functions as a rationing device: it fixes the boundary of the pool of firms permitted to compete for a finite volume of reserved work. Raising the boundary does not enlarge the volume of work; the Agency itself states that the rule will not affect the total number of federal contracts.⁴ It enlarges the field. The Agency's own estimates make the scale of that change plain: the proposal would produce a net increase of about 114,541 firms classified as small and make 37,002 firms that held more than \$71 billion across 105,655 federal contracts in FY 2025 newly eligible to compete for contracts reserved for small businesses.⁵ Those are not marginal entrants. They are established contractors with mature past performance records, dedicated business development and proposal staff, and bonding capacity that a single-unit franchise owner cannot match. The Agency candidly acknowledges that the firms closest to the current thresholds will face the greatest new competition, but it reasons that the smallest firms in each industry will largely be spared, because they generally do not compete for the same contracts as firms near the thresholds.⁶ That may be true for large, complex requirements. It is not true in industries that are nationally large but locally served. In those industries, a set-aside contract is often sized to the work of a single location, and a newly eligible regional firm can bid it as readily as the local operator. The new competition will therefore reach the smallest participants in the set-aside system, which are the firms with the least ability to absorb it. Nor does the research the Agency cites answer the concern. That study followed federal suppliers over roughly a decade and found that the firms that remained in the federal market grew less dependent on set-asides over time, but it also found that many firms left the federal market during that period.⁷ It describes the firms that stayed and says little about entry-level firms whose access to the federal market depends on set-asides in the first place, which is precisely the situation of the franchisees we describe below.

("Nearly half of all franchised brands operate 25 units or fewer, underscoring that franchising is not dominated by large corporations but powered by local entrepreneurs.").

⁴ Small Business Size Standards, 91 Fed. Reg. 53,741, 53,769 (Aug. 20, 2026) (proposed rule), <https://www.federalregister.gov/documents/2026/08/20/2026-17042/small-business-size-standards>.

⁵ Id. at 53,770-74.

⁶ Id. at 53,773.

⁷ Id. at 53,773-74 (discussing Girth and Brown (2018)).

We think a substantial part of this result traces to the revised methodology rather than to any deliberate policy choice. The proposed “average market size” measure is drawn from the market-definition concepts used in merger review.⁸ Those concepts were built to answer a different question. Merger analysis asks whether a transaction will lessen competition within a defined market; it is concerned with the size and structure of the market itself. A size standard has to answer whether a particular firm is disadvantaged enough, relative to the firms it actually bids against, to warrant assistance. Those two inquiries diverge sharply in industries that are nationally large but locally served, which is to say in precisely the industries where franchising concentrates. Aggregate national receipts in lodging, in equipment repair, in facilities services, and in building and grounds maintenance are enormous, but the competitive unit in each of those industries is often a single location owned by an independent franchised small business owner serving a trade area measured in miles. The proposal divides national industry size by a count of geographic markets, but the results in locally served industries suggest those markets are being drawn far more broadly than the trade areas in which these businesses actually compete. The effect is a threshold calibrated to firms that operate regionally or nationally, set most aggressively in the industries with the largest population of genuinely small operators. The proposed standards bear this out. The size standard for hotels and motels would rise from \$40 million in average annual receipts to \$503 million. For commercial and industrial machinery repair and maintenance, it would rise from \$12.5 million to \$393 million; for facilities support services, from \$47 million to \$156 million.⁹ In each of those industries, a single-location franchised business would remain small under any conceivable standard and, under the proposed rule, would now be bidding against firms thirty, fifty, or a hundred times its size for the same reserved contract.

A concrete example may be useful. One of our member systems franchises small-quantity metal supply centers. A typical franchisee operates a single location with perhaps a dozen employees, stocks steel, aluminum, stainless, and brass, and cuts and sells it in quantities too small for a national distributor to find worth quoting. That is the entire business case for the brand, and it is a business case that serves the government well: the customers include machine shops, maintenance contractors, and federal installations such as depots, shipyards, laboratories, and public works shops that need forty pounds of a particular alloy on short notice rather than a mill run. This franchisee wins federal contracts today because a small business set-aside reserves the competition to firms below the applicable size standard, which for a supplier that does not manufacture what it sells is the 500-employee nonmanufacturer standard. That standard is what keeps it from bidding against national metals distributors operating dozens of service centers. When the definition of “small” expands, that protection disappears. The franchisee does not become a less capable supplier; it simply loses the only structural advantage that made its bid competitive in the first place. For supply procurements of this kind, the nonmanufacturer standard is the last remaining backstop, and we urge the Agency to leave it undisturbed.

In preparing this comment we heard from a number of franchisees in that system who sell into federal, defense, aerospace, and municipal procurement markets, and a common concern emerged. It was not that they expect to lose their own small business classification; none of them does. It was that expanding

⁸ Id. at 53,741-43 & n.4 (describing the average market size measure and its relationship to the Horizontal Merger Guidelines).

⁹ Small Business Size Standards: Revised Size Standards Methodology, 91 Fed. Reg. 54,096, 54,196, 54,206, 54,208 (Aug. 20, 2026) (notice of availability) (Table A) [hereinafter Revised Size Standards Methodology]; 13 C.F.R. § 121.201 (current standards for NAICS 721110, 811310, and 561210).

eligibility will erode the effectiveness of the very programs that gave them access to these markets. The revenue they described is modest by federal contracting standards and substantial for a single-location business. One franchisee reports approximately \$1 million in annual sales to a major federal agency, with further government-related business beyond that. Another estimates \$500,000 to \$600,000 in annual revenue from federal agencies and defense contractors. A third, a service-disabled veteran-owned small business, generates roughly \$200,000 annually across federal, state, and municipal opportunities. Several made the same observation: that revenue represents years of relationship building and business development, undertaken because the small business and veteran-focused programs created a realistic path to the customer in the first place. Their concern is that broadening the definition of small will diminish the value of that work and narrow access for exactly the genuinely small, independently owned operators these programs were written to reach. We would ask the Agency to weigh that concern directly, and to consider whether the proposed standards preserve the original purpose of the small business and veteran-focused procurement programs.

That example is not idiosyncratic. Franchised businesses appear across federal contracting, and in nearly every instance they appear as the local operator rather than the brand. Franchised restaurants and food service operators hold contracts at federal buildings, veterans' medical centers, and military dining facilities, in almost every case through a franchisee who signs the agreement, hires the staff, and carries the risk of the location. Franchised hotels near installations and federal facilities house temporary-duty travelers and relocating military families. Franchised fitness and wellness operators serve on-base and federal worksite programs. Franchised janitorial, custodial, building maintenance, grounds, and landscaping companies hold facilities contracts at federal buildings and on installations. Franchised fleet, vehicle, and equipment maintenance operators service government motor pools and shops. Franchised home care agencies can provide services under the Department of Veterans Affairs' Homemaker and Home Health Aide program, including through the VA Community Care Network.¹⁰ Franchised child care and early education centers serve military and federal families near installations and federal facilities. Franchised restoration contractors respond to water and fire damage at federal properties. Franchised print, sign, and document service providers hold General Services Administration Multiple Award Schedule contracts.¹¹ Nearly every one of these lines of business sits in an industry group where the proposed standard rises sharply, and where the franchisee bidding the work is a locally owned business many multiples smaller than the firms the proposal would newly admit to the same competition.

There is a further defect in the proposal that we think the Agency should address: the default to employee-based measurement unaccompanied by any revenue constraint. The change directly impacts the industries where franchising is concentrated. Restaurants and other eating places, which now carry receipts-based standards of \$11.5 million for full-service and \$13.5 million for limited-service restaurants, would move to a standard of 850 employees. Special food services, the industry group that includes the food service contractors operating dining facilities at federal buildings and military installations, would move to 700

¹⁰ U.S. Dep't of Veterans Affairs, Homemaker and Home Health Aide Care, https://www.va.gov/GERIATRICS/pages/Homemaker_and_Home_Health_Aide_Care.asp.

¹¹ U.S. Gen. Servs. Admin., Multiple Award Schedule Contract No. 47QSMS24D0056, at 1 (Mar. 25, 2024) (identifying Swift Simple Solutions, LLC d/b/a FASTSIGNS of Springfield), https://www.gsaadvantage.gov/ref_text/47QSMS24D0056/0ZJ0VQ.3V9DQE_47QSMS24D0056_FASTSIGNSTERMSANDCONDITIONSFASTSIGNS.PDF.

employees. The construction sector converts in the same way, from a \$45 million receipts standard for most building and heavy construction to employee-based standards ranging from 550 employees for residential building construction, which includes residential remodeling, to 900 employees for other heavy and civil engineering construction. None of these standards would carry a receipts limit.¹² A firm can be enormous by every measure that actually determines competitive strength, including revenue, bonding capacity, balance sheet, ability to self-perform, and access to capital, and still be small on headcount. That is because headcount is the one dimension that shrinks when a firm substitutes equipment and technology for labor, subcontracts its work to others, or resells goods it buys rather than making them. The proposal therefore extends its largest benefit to the firms least in need of it. We appreciate that the Agency's objective in moving to headcount is stability, meaning an end to firms cycling in and out of small status on inflation and revenue volatility, and that is a legitimate aim. But stability gained by removing the revenue dimension altogether does not describe small businesses more accurately. It describes a different and much larger set of firms.

Two additional features of the proposal compound all of this. The first is the consolidation of roughly 1,000 standards into 338 at the four- and five-digit NAICS level, together with the elimination of all eighteen subindustry exceptions. Whatever its administrative appeal, consolidation erases distinctions that the six-digit codes and the exceptions were created to preserve, and those distinctions frequently separate the single-location operator from the multi-branch regional firm that happens to share an industry group.

The second is the asymmetry of the framework, which has three parts. The Agency has run its new formula across every industry, and in forty-five industry groups or industries the formula produced a number below the standard in effect today; the Agency proposes to retain the current, higher standard in each. It also proposes to adjust receipts-based standards for economy-wide productivity growth in addition to inflation, raising monetary thresholds above inflation-only levels both in the standards proposed here and at every future adjustment. And it proposes to eliminate the methodology's general ceilings of \$47 million in annual receipts and 1,500 employees while retaining minimum standards. Those changes permit proposed standards of \$531 million for computer systems design and related services and \$503 million for lodging, both above the prior methodology's \$47 million general ceiling. Each of the three is defensible standing alone. Together they create a one-way ratchet: thresholds that can only rise, rise faster than prices, and have no upper bound. Over time, those thresholds will stop describing small businesses and start describing the middle market. We would add that this is now the third consecutive five-year review in which the Agency has adopted a general policy against reducing standards. The Agency cited the 2007-2009 recession in the first review, the pandemic's economic effects in the second, and conditions during 2021-2024 in this one.¹³ A policy applied in every review regardless of the particular conditions invoked to justify it has ceased to be a response to conditions. We do not think a permanent ratchet is the intended design, but it is nonetheless the resulting design.

¹² Revised Size Standards Methodology, 91 Fed. Reg. at 54,159-60, 54,207 (Table A); 13 C.F.R. § 121.201 (current standards); see also Small Business Size Standards, 91 Fed. Reg. at 53,745-69 (table comparing current and proposed standards by six-digit NAICS code), <https://www.govinfo.gov/content/pkg/FR-2026-08-20/pdf/2026-17042.pdf>.

¹³ Small Business Size Standards, 91 Fed. Reg. at 53,742-44, 53,769 (describing the no-reduction policy, productivity adjustment, and removal of general maximum standards); Revised Size Standards Methodology, 91 Fed. Reg. at 54,100 n.5, 54,195, 54,206.

We want to flag one further consequence that we think deserves the Agency's direct attention. The notice explains that agencies will be able to count contracts awarded to newly small businesses toward their small business goals, whether or not those procurements were restricted to small businesses, and presents that result as a benefit of the proposal.¹⁴ We see it differently. By the Agency's own accounting, the firms that would become small already hold roughly \$71 billion in existing work. Statutory goaling under 15 U.S.C. § 644(g) is expressed as a percentage of prime contract dollars. If a substantial portion of existing awards is reclassified into the numerator without a single new dollar flowing to a single new firm, agencies move materially closer to their goals while doing nothing differently, and the marginal pressure to structure additional set-asides diminishes accordingly. The measured performance of the small business contracting program would improve at the same moment that actual participation by the smallest firms declined. We would urge the Agency to model this effect before finalizing and, if the modeling confirms it, to recommend to Congress or to adopt by rule a corresponding adjustment to goaling so that reclassification does not substitute for genuine small business participation.

With that, we offer several recommendations, all of which we believe are consistent with the Agency's stated objectives.

First and most importantly, we ask the Agency to make the size test conjunctive rather than single-measure. A concern should qualify as small only if it falls below both an employee cap and a revenue cap for its industry and should lose small status upon exceeding either one. A dual test preserves everything the Agency is trying to accomplish by moving to headcount, since a firm would no longer lose status merely because inflation lifted its receipts, while closing the gap that a headcount-only standard opens for lean, capital-intensive, and pass-through-heavy firms. Nor would a dual test be new to the Agency. When it last proposed moving all size standards to an employee basis, in 2004, the Agency recognized that an employee-based standard could allow firms with very high receipts but few employees to qualify as small, and for that reason it proposed pairing employee standards with a maximum receipts standard in certain industries.¹⁵ We would go further and ask the Agency to examine whether some of the employee caps it proposes describe small businesses at all. A thousand employees is a large enterprise on any ordinary understanding of the term. A firm with fewer than a thousand employees and more than a billion dollars in annual revenue is not a small business on any understanding of the term, and a methodology that produces that result should not be adopted without the Agency explaining how it squares with the text Congress wrote in 15 U.S.C. § 632(a)(1).

Second, we ask the Agency to restore a maximum size standard. The removal of any ceiling is the single change most responsible for the outlying results in this proposal, and reinstating one, whether at the historic level or at some higher figure the Agency deems appropriate, would control the methodology rather than abandoning it.

Third, we ask the Agency to retain six-digit granularity, and the existing subindustry exceptions, in industries that are nationally large but locally served. Lodging; food service; equipment, vehicle, and machinery repair; facilities support, janitorial, and building maintenance; grounds and landscaping

¹⁴ Small Business Size Standards, 91 Fed. Reg. at 53,771.

¹⁵ Revised Size Standards Methodology, 91 Fed. Reg. at 54,099 (discussing 69 Fed. Reg. 13,130 (Mar. 19, 2004) (proposed rule)).

services; fitness and wellness services; home care; child care; restoration; print and document services; and small-quantity supply distribution all fit that description, and all are lines in which franchised small businesses hold federal contracts and on-installation agreements today. If the Agency is unwilling to retain granularity generally, we would ask that it identify a principled category of locally served industries and preserve granularity within it.

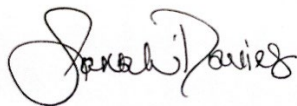
Fourth, we ask the Agency to abandon the blanket no-reduction policy, or at minimum to explain it. Where the Agency's own analysis supports a lower standard, declining to adopt one is difficult to reconcile with the requirement that size standards rest on industry-specific economic characteristics. A methodology that is followed when it points upward and disregarded when it points downward is not a methodology.

Fifth, we ask the Agency to consider a tiered reserve within the small business set-aside framework. If the pool of eligible contractors is to grow by some 37,000 established firms, the firms at the bottom of the pool need a floor of their own. A reserve tier, defined conjunctively by both an employee figure and a receipts figure consistent with our first recommendation, and available to contracting officers as a set-aside within a set-aside, would let the Agency pursue the growth objectives behind this proposal without displacing the businesses the program was built for. The concept is not new to federal procurement, and we would welcome the chance to work with the Agency on how it might be structured.

Finally, we ask the Agency to publish a displacement analysis before finalizing, disaggregated by firm size within each affected industry and covering the socioeconomic set-aside programs as well, because firms must satisfy the applicable size standards in addition to each program's other eligibility requirements, and higher size standards expand the pools of potentially eligible firms.¹⁶ We would ask the Agency to reopen the comment period once it does. Thirty days is a short window for an economy-wide rewrite of this consequence, and the record would benefit from the participation of small firms who are unlikely to have had the resources to analyze the proposal and companion methodology white paper in the time allowed.

We appreciate the Agency's work on this proposal and its recognition that it imposes real costs on growing firms. We would welcome the opportunity to meet with the Office of Government Contracting and Business Development to discuss any of the foregoing, and to provide industry data from our membership that may assist the Agency in refining the final rule.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sarah Davies". The signature is fluid and cursive, with the first name "Sarah" and last name "Davies" clearly distinguishable.

Sarah Davies
General Counsel
International Franchise Association

¹⁶ Small Business Size Standards, 91 Fed. Reg. at 53,772, 53,774.