



**U.S. Small Business Administration
Washington, D.C. 20416**

TESTIMONY of

JOHN SHORAKA

**Associate Administrator, Government Contracting and Business Development
U.S. Small Business Administration**

**U.S. House Committee on Small Business
Subcommittee on Agriculture, Energy, and Trade**

Wednesday, July 23, 2014

Chairman Tipton, Ranking Member Murphy, and members of the Subcommittee, I am honored to be here today to discuss SBA's size standard methodology as it pertains to agricultural enterprises.

As you know, with the exception of certain agricultural enterprises, the Small Business Act (P. L. 85-536, as amended) provides the U. S. Small Business Administration (SBA) with statutory authority to establish small business size definitions, referred to as "Size Standards", for federal government programs. The size standards for agricultural enterprises are unique in that they are directly established by the statute. The size standard for agricultural enterprises was first set by statute in 1985 (P.L. 99-272). Currently, the size standard for 46 industries in North American Industry Classification System (NAICS) Sector 11 (Agriculture, Forestry, Fishing and Hunting) is set by statute at \$750,000 in average annual receipts (P. L. 106-554).

SBA is capable of conducting the analysis to establish small business size standards for agricultural enterprises, as SBA would use the same process that it currently uses to establish size standards for business concerns in other industries. When establishing size standards, SBA examines economic characteristics, such as average firm size, industry concentration, start-up costs and entry barriers, and federal market conditions in each industry. At SBA, we believe in a transparent process. A detailed explanation of how SBA establishes size standards is provided in our "Size Standards Methodology" White Paper, which is available on the Agency's website at www.sba.gov/size.

Establishing size standards based on characteristics of individual industries is consistent with Section 3(a)(3) of the Small Business Act which requires the Administrator to ensure that size standards vary – to the extent necessary – to reflect the differing characteristics of industries. SBA believes its methodology for establishing size standards meets this requirement by incorporating economic characteristics and federal market conditions into its analysis on an industry-by-industry basis.

The Small Business Jobs Act of 2010 (Jobs Act) requires SBA to review all size standards and make necessary adjustments to reflect market conditions every five years. The Small Business Act does not require SBA to review size standards for most agricultural industries, so the Agency did

not review agricultural size standards under the current review. In addition, SBA reviews all monetary based size standards every five years for inflation and makes necessary adjustments. Currently, SBA does not adjust the statutory agricultural size standards for inflation. As a result, the agricultural size standard has remained at the \$750,000 receipts level since 2000, while SBA has reviewed and adjusted monetary based size standards for inflation four times in that time period.

If SBA were mandated to review agricultural size standards, adjustments for inflation and other economic conditions could be made.

Thank you for your continued leadership and support. I look forward to your questions.