COEXCEL SOLUTIONS, LLC

Defense Supply Chain Services · Procurement Execution · SourceBoard®

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SBA-Certified EDWOSB / WOSB / SB · New York State Certified WBE · UEI: ZC5XS6569iZ3 · CAGE: 9U4R8 · Primary NAICS: 541990

August 25, 2026

Mr. 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

Submitted electronically via www.regulations.gov

RE: Comments of CoExcel Solutions, LLC on the Proposed Rule, *Small Business Size Standards: Revised Size Standards Methodology and Size Standards Review* — RIN 3245-AI67; Docket No. SBA-2026-0199

Dear Mr. Lambert:

I. Introduction and Interest of the Commenter

CoExcel Solutions, LLC ("CoExcel") respectfully submits these comments on the proposed rule published August 20, 2026.[1]

CoExcel is an SBA certified Economically Disadvantaged Women-Owned Small Business(EDWOSB/WOSB/SB) and New York State-certified Women Business Enterprise (WBE) headquartered in Endicott, New York. The firm provides defense supply chain services, procurement execution, and business development services to U.S. Small Business operating in the Defense Industrial Base ("DIB"), additionally we developed and operate SourceBoard®, a defense-focused supply chain intelligence and marketplace platform.

Two features of our practice may make this comment useful to SBA in ways that a purely advocacy-based submission would not.

- **We sit on both sides of the transaction this rule governs.** CoExcel competes for federal work as a small business, additionally we represent several Small Businesses in a business development capacity fostering their growth within the DIB and separately CoExcel performs procurement execution and supplier qualification on behalf of prime and mid-tier defense manufacturers. We therefore observe the size standard both as an entity subject to it and as a practitioner who watches primes and buyers respond to it in real sourcing decisions.
- **Our core work is sub-tier supplier identification and qualification.** The firms most affected by this rule at the bottom of the distribution — machine shops, printed circuit board assemblers, kitting and packaging operations, field service providers — are the firms we source, qualify, and onboard regularly. We can describe how those firms behave when eligibility rules change, which is a perspective SBA is unlikely to obtain from prime contractors or trade associations.

[1] Small Business Administration, Small Business Size Standards: Revised Size Standards Methodology and Size Standards Review, Proposed Rule, RIN 3245-AI67, Docket No. SBA-2026-0199 (Aug. 20, 2026) (hereinafter "Proposed Rule").

Consistent with SBA's interest in ground-level impact, we have included firm-specific operating data at Section IV.G below rather than confining our comment to policy argument.

II. Background: The Provisions on Which CoExcel Comments

The Proposed Rule implements SBA's third five-year review of size standards under the Small Business Jobs Act.[2] CoExcel does not comment on the rule in its entirety. Our comments are directed to five specific elements:

- **The revised size standards methodology** and its application across the economy, including the decision not to reduce any size standard even where the revised methodology supported a reduction.
- **The consolidation of 995 size standards into 338**, and the resulting loss of resolution among industries with materially different capital, labor, and revenue structures.
- **The conversion of numerous industries from receipts-based to employee-based standards**, and the differential effect of that conversion on labor-intensive firms.
- **The treatment of small business goaling credit** for contracts already held by firms that acquire small status by operation of the rule.
- **The "benefit cliff" rationale** advanced in the preamble as a justification for raising thresholds.

CoExcel does not object to periodic recalibration of size standards. The statute requires it, and inflation and industry structure change over a five-year period. Our objection is to the magnitude, the asymmetry, and the timing of this particular revision, and to three consequences we do not believe the Regulatory Impact Analysis has adequately estimated.

III. Summary of Position

By SBA's own estimates, the proposal would make approximately 114,541 additional firms eligible as small, including roughly 37,002 firms that held federal contracts in FY2025 across approximately 105,655 contracts valued in excess of $71 billion. Fewer than 200 firms would lose small status.[3] CoExcel respectfully opposes the rule as drafted, on four grounds:

First, SBA has identified but not quantified the competitive displacement the rule imposes on firms that are small today and will remain so. Second, the rule works against the Federal Government's concurrent effort to broaden defense industrial base participation, an interaction the Regulatory Impact Analysis does not consider. Third, automatic goaling credit for contracts already held by 'newly small' incumbents will suppress creation of new set-asides. Fourth, the benefit cliff is real, but raising thresholds relocates it rather than eliminating it, and charges the cost to the smallest participants.

IV. Analysis

A. Whether SBA has correctly estimated the rule's competitive impact on existing small businesses

The preamble acknowledges that growing small businesses nearest the current thresholds will face the greatest increase in competition, and that margins on set-aside work may be affected.[4] CoExcel agrees, and submits that the observation requires quantification, not acknowledgment. The Regulatory Impact Analysis characterizes the rule in terms of firms gained; it does not, so far as we can determine, estimate the corresponding reduction in expected award share for firms that are small today and will remain small tomorrow. Only the second figure describes the burden the rule imposes. Set-aside dollars in a given NAICS code are approximately fixed in the near term by agency requirements and budget, so adding experienced competitors to a fixed pool reduces expected award share per incumbent — and does so unevenly, because the added firms carry deeper past

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[2] Small Business Jobs Act of 2010, Pub. L. No. 111-240, § 1344(a); see also 15 U.S.C. § 632(a); 13 C.F.R. Part 121.

[3] Proposed Rule, Regulatory Impact Analysis. Where the final rule revises these figures, CoExcel asks that revised figures be disclosed with supporting data.

[4] Proposed Rule (acknowledging that growing small businesses nearest the current size standards will face the greatest increase in competition and that margins on set-aside work may be affected).

performance, dedicated capture organizations, and existing agency relationships. A final rule cannot be adequately supported without an estimate, by NAICS code, of projected change in unique small business awardees, in expected award share for the upper quartile of the current size distribution, and in first-time awardees.

B. Whether the ratio of firms gained to firms lost reflects a methodology or a policy choice

SBA states that it will not reduce any size standard even where the revised methodology supported a reduction, while raising standards across most of the economy. The result is roughly 114,500 firms entering the class and fewer than 200 leaving it, a ratio on the order of 570 to 1. A neutral methodological update applied to a heterogeneous economy would not be expected to produce a one-directional result of that magnitude. CoExcel does not suggest bad faith; we suggest that the asymmetry warrants explanation. If SBA has determined as a matter of policy that no size standard should ever decrease, that determination should be stated as a policy choice, subjected to cost-benefit analysis, and opened to comment on its own terms rather than presented as an output of the methodology. Consolidating 995 standards into 338 separately reduces the resolution at which SBA distinguishes among industries — a precision loss that is not costless where the size standard is the sole gate on eligibility.

C. An unintended consequence SBA does not appear to have considered: conflict with concurrent defense industrial base policy

This is CoExcel's principal concern, and the perspective we believe SBA is most likely to be missing. The Federal Government is engaged in a coordinated, funded effort to increase the number of small, emerging, and non-traditional suppliers in defense procurement, and it is on a statutory clock. The 2026 National Defense Strategy calls for national mobilization to grow non-traditional vendors and expand domestic production capacity.[5] The Department of War established the Office of Industrial Base Growth in January 2026 and launched the LYNX platform to lower barriers to entry for firms that have never held a defense contract.[6] Section 1841 of the FY2026 NDAA created the Civil Reserve Manufacturing Network and directed establishment of a National Manufacturing Registry.[7] Executive Order 14415 requires prime contractors and subcontractors at every tier to map and disclose critical supply chains and restricts waivers under 10 U.S.C. § 4872 effective January 1, 2027.[8] And Section 805 of the FY2024 NDAA barred Department procurement from Section 1260H-listed entities as of June 30, 2026, extending to indirect sourcing on June 30, 2027.[9]

The resulting substitution requirement is substantial: analysis of 6.6 million multi-tier transactions across 609 defense contractors identified 267,338 import transactions in 2024 in which § 1260H-listed entities appeared at Tier 3 or deeper,[10] while only about 15 percent of chief procurement officers report visibility into suppliers beyond Tier 1.[11] Primes must therefore qualify many domestic replacement suppliers on a compressed schedule. The set-aside program is the primary statutory mechanism by which a firm without federal experience obtains a first award and becomes qualifiable at the sub-tier level, and survey data confirms that locating opportunities remains the principal barrier those firms report.[12] Admitting approximately 37,000 experienced contractors into that pool at this moment makes the first award materially harder to obtain. Nothing in the preamble indicates

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5 2026 National Defense Strategy (U.S. Dep't of War, Jan. 2026).

6 U.S. Dep't of War, Office of Small Business Programs, "Department of War Launches LYNX to Help Businesses Enter and Compete in Defense Markets" (Jan. 30, 2026).

7 National Defense Authorization Act for Fiscal Year 2026, Pub. L. No. 119-60, § 1841.

8 Executive Order 14415, "Securing America's Defense Supply Chains and Ensuring Domestic Acquisition of Critical Materials" (July 20, 2026).

9 National Defense Authorization Act for Fiscal Year 2024, Pub. L. No. 118-31, § 805; National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, § 1260H. The list published June 8, 2026 identifies 188 entities.

10 Altana, "Compliance Analysis: Defense Prime Supply Chains and NDAA Section 1260H."

11 Deloitte, Global Chief Procurement Officer Survey (2021).

12 National Defense Industrial Association, Vital Signs 2026: The Health and Readiness of the Defense Industrial Base (Apr. 2026).

that SBA consulted the Office of Industrial Base Growth or OUSD(A&S), or modeled the rule's effect on new-entrant formation in defense-relevant NAICS codes. We respectfully request that it do so before finalizing.

D. An unintended consequence: automatic goaling credit will suppress new set-aside creation

Under the proposal, agencies would receive small business goaling credit for contracts already held by firms that become small by operation of the rule — on the order of $71 billion in existing obligations, attributable without any new award, new competition, or new entrant. Goaling credit exists to drive behavior.[13] If a material share of an agency's statutory target can be satisfied by reclassification of incumbents, the marginal pressure to conduct a Rule of Two analysis in favor of set-aside on the next requirement falls accordingly. That is the predictable response to a change in the measured variable without a change in underlying behavior, and it is entirely severable: SBA can adopt revised thresholds and still decline to award credit for work that predates them.

E. An unintended consequence: receipts-to-employee conversion penalizes labor-intensive firms

Conversion from receipts-based to employee-based standards is not neutral across business models: a high-revenue firm with lean headcount benefits, while a labor-intensive firm of identical revenue may exceed the threshold on headcount alone. The categories affected are identifiable — staffing-dependent professional services, field service organizations, logistics and warehousing, machine shops and manufacturing support suppliers, and firms with seasonal or surge workforces. These are, in substantial part, the same firms that Executive Order 14415 and Section 805 compliance will require primes to qualify as domestic replacement sources. The conversion also creates a marginal disincentive to domestic hiring, since a firm near an employee-based threshold can preserve eligibility by subcontracting or automating rather than adding U.S. employees. We do not suggest that effect is intended; we suggest it is hard to reconcile with concurrent reshoring policy. SBA should publish, by converted NAICS code, the number of firms currently qualifying as small on receipts that would fail the new employee-based standard.

F. Whether the costs of the rule are justified by its benefits, and who bears them

The stated benefit of the rule — relief of the benefit cliff and restoration of small status to firms that have outgrown their standards — accrues to a defined and relatively prosperous population: roughly 37,000 firms already holding federal contracts at or above current thresholds. The cost is borne by a different and far larger population: firms below the threshold, including firms well below it, which face increased competition for the same set-aside dollars without offsetting benefit. A firm well under the current standard was never constrained by the cliff, so the rule delivers that firm cost without benefit. That profile — concentrated benefit at the top, diffuse cost across the bottom — is the central fact about this rule.

Several resulting costs resist monetization but are real. **Deterrence of entry:** lowering the probability of a first award suppresses entry in a way that never appears in contract data, because the deterred firm leaves no record. **Regional concentration:** firms re-entering small status cluster in established contracting corridors, while firms bearing the cost are spread across the industrial interior, including manufacturing regions such as New York's Southern Tier where CoExcel is based. **Socioeconomic program effects:** firms in the WOSB, EDWOSB, SDVOSB, HUBZone, and 8(a) programs are on average smaller and younger, and are concentrated in the cost-bearing group. **Consolidation pressure:** sustained margin compression on set-aside work accelerates acquisition of small suppliers by larger firms, contrary to the resilience objectives of current industrial base policy and to Executive Order 14267.[14]

G. Ground-level observations from CoExcel's practice

SBA has indicated that practitioner observations of how a rule operates in practice are useful. We offer the following from our own operations.

[13] Federal Acquisition Regulation § 19.502-2 (the "Rule of Two"); 15 U.S.C. § 644(g).
[14] Executive Order 14267, "Reducing Anti-Competitive Regulatory Barriers" (April 2025).

- In the previous twenty-four (24) months CoExcel has sourced and/or qualified greater than 400 sub-tier suppliers on behalf of defense prime and mid-tier clients. Of those, approximately 60% percent had an estimated annual revenue below $20,000,000 and approximately 90 percent held no prior federal prime contract. These are the firms for which set-aside eligibility is the operative entry mechanism.
- Across the pursuits CoExcel supports, contract win rates run approximately 5 to 10 percent for new entrants against 15 to 30 percent for established contractors.[15] The Regulatory Impact Analysis measures the competitive shift by counting firms, but a firm is not a unit of competition; probability-weighted capacity is. A differential of two to four times means the approximately 37,000 experienced contractors re-entering small status represent a substantially larger increase in effective competition than a headcount indicates. CoExcel asks that SBA model displacement on a win-rate-weighted basis and disclose which approach the final rule employs
- Growth-focused defense contractors carry annual business development costs of $500,000 to $2,000,000. A typical opportunity pursuit runs 18 to 24 months from identification to award, and a firm new to the market requires 6 to 12 months simply to reach a first buyer meeting. A new entrant therefore funds one to two years of business development, in advance and irrecoverably, against a 5 to 10 percent probability of award. Because that cost is fixed and front-loaded while the return is probabilistic, a modest reduction in win probability has a disproportionate effect on whether the firm enters at all — and a firm deterred at the entry decision never appears in contract award data. SBA should not treat the absence of observable harm as evidence that no harm occurs.
- The buying population these firms must navigate is large and dispersed: approximately 150,000 Department of War acquisition professionals, an estimated 25,000 supply chain decision makers across the top 50 prime contractors, opportunities distributed across more than 50 separate buyer portals, and roughly 60,000 annual conference and trade show attendees through which relationships are in practice formed. The cost of searching that landscape is substantially fixed and does not scale down with firm size. A contractor at $80 million in revenue amortizes portal monitoring, capture staff, and conference presence across dozens of simultaneous pursuits; a contractor at $3 million bears a comparable absolute cost across one or two. Widening the eligible field leaves that cost unchanged while reducing the expected return on it, a distribution that falls hardest on the firms least able to spread it.
- The firms regaining small status already maintain that business development infrastructure, and in most cases are already pursuing the same requirements on the full-and-open side. Their marginal cost of competing for a newly available set-aside approaches zero. For a firm in the population CoExcel sources from — 60 percent below $20,000,000 in revenue, 90 percent without a prior federal prime contract — the identical pursuit requires the full 18 to 24 month cycle and the associated expenditure. The rule therefore transfers award probability from firms for which participation is a substantial capital commitment to firms for which it is an administrative reclassification. CoExcel respectfully submits that eligibility is the wrong variable to analyze in isolation, and asks SBA to estimate the marginal cost of competing for each affected population before concluding that the rule increases competition rather than redistributing awards

V. Additional Information CoExcel Requests From SBA

The following would assist commenters and is necessary to support a reasoned final rule: the industry-level data and computational inputs underlying the revised methodology, in machine-readable form permitting independent replication; the list of industries in which the methodology supported a decrease, the magnitude of each, and SBA's reasoning for declining to implement it; any analysis or Department of War coordination regarding the rule's effect on defense industrial base participation; and the basis for any assumption that set-aside dollar volume will expand in proportion to the eligible population.

[15] Figures in this and the following three observations are drawn from CoExcel Solutions, LLC market analysis of defense business development economics. CoExcel is prepared to provide the underlying analysis to SBA on request.

VI. Recommendations

1. **Do not finalize the rule in its current form.** Republish after completing the analyses described above.
2. **Quantify displacement before finalizing,** by NAICS code: award share for the upper quartile of the current distribution, unique awardees, and first-time awardees.
3. **Conduct and publish a defense industrial base impact analysis** in coordination with the Office of Industrial Base Growth and OUSD(A&S).
4. **Phase in any increase over not less than five years,** in equal annual increments.
5. **Sever the goaling windfall.** Exclude pre-effective-date contracts from goaling attribution for firms made small by this rule; prospective awards count normally.
6. **Apply indicated reductions, or explain the departure on the record.**
7. **Preserve a dual test in converted industries,** permitting qualification under either standard.
8. **Disclose consolidation effects separately from threshold effects.**
9. **Analyze socioeconomic program effects separately** for WOSB, EDWOSB, SDVOSB, HUBZone, and 8(a), rather than in the aggregate.
10. **Address the benefit cliff through a graduated off-ramp in separate rulemaking,** not by relocating the threshold.

VII. Conclusion

The United States is asking small manufacturers, machine shops, and emerging technology firms to enter a defense industrial base that has spent three decades consolidating away from them — to invest in cybersecurity compliance, quality systems, traceability, and surge capacity on the strength of a representation that there is a path to federal work on the other side. Set-aside eligibility is that path, and for most such firms the only structural advantage they hold against incumbents with decades of past performance and dedicated capture staffs.

SBA has identified a real problem in the benefit cliff and a real irritant in the existing methodology. Neither justifies a one-directional expansion of the small business class by roughly 114,500 firms, imposed at once, without an estimate of the burden on the firms that remain small. CoExcel urges SBA to withdraw the rule in its current form, quantify the displacement it will cause, analyze its effect on the defense industrial base in coordination with the Department of War, and republish for comment. We are prepared to provide anonymized supplier population data and to respond to follow-up questions.

Respectfully submitted,

Meg Dougherty
Founder & Chief Executive Officer
CoExcel Solutions, LLC