



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

August 28, 2014

The Honorable Carl Levin  
United States Senate  
Washington, DC 20510

Dear Senator Levin:

Administrator Contreras-Sweet has asked me to respond to your recent letter regarding the U.S. Small Business Administration's (SBA) interim final rule on the adoption of the Office of Management and Budget's (OMB) North American Industry Classification System 2012 (NAICS 2012) updates for its table of small business size standards. Specifically, you are concerned with the change in the footwear manufacturing size standard from 500 employees to 1,000 employees and the impact it will have on Bates, a Michigan-based footwear manufacturer owned by Wolverine Worldwide.

The SBA's size standards are based on the industries set forth in the NAICS. Every 5 years, OMB reviews and updates the NAICS industry definitions to reflect changes in the U.S. economy. In each NAICS update, OMB may create new industries and merge or modify others. Like other Federal regulations, OMB formalizes all NAICS updates through publication in the Federal Register and notice and comment procedures for the public. In the 2012 update, effective January 1, 2012, OMB merged five footwear manufacturing industries/activities into a single, new NAICS industry.

When multiple NAICS industries are merged into a new industry, SBA must determine what size standard should apply to the new industry in adopting the updated NAICS to its table of size standards. Of the five merged footwear manufacturing industries, one had a 1,000-employee size standard, while the rest had a 500-employee size standard. SBA adopted a 1,000-employee size standard for the new industry and received no adverse comments.

SBA published the NAICS 2012 based size standards as an interim final rule on August 20, 2012 (77 FR 49991), with an effective date of October 1, 2012. The Agency provided a 60-day comment period for the public and other concerned parties. The SBA received one comment on the interim final rule, which was unrelated to the size standard for footwear manufacturing. Therefore, the 1,000-employee size standard for footwear manufacturing was unchanged and has been effective since October 1, 2012.

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The SBA had multiple meetings and email correspondences with several Bates representatives regarding their concerns with the new footwear manufacturing size standard. Since the company did not provide its comment on the interim final rule within the comment period, the Agency has advised them to comment on the forthcoming proposed rule on manufacturing size standards, including the footwear manufacturing size standard, to be published as part of its comprehensive size standards review required by the Small Business Jobs Act of 2010. If Bates or other businesses find the Agency's proposed size standards not appropriate for their industries, they can suggest, along with supporting data and analysis, a different size standard. The Agency will thoroughly review Bates' comments on the proposed rule, along with other comments from the public, when it develops the final rule.

We appreciate your support of SBA and the Michigan small business community. If you and your staff have any questions, please contact Thad Inge, Acting Assistant Administrator for Congressional and Legislative Affairs, at (202) 205-6634. A similar response is being sent to Senator Stabenow and Representatives Huizenga, Benishek, Dingell, Amash, Camp, Conyers and Peters.

Sincerely,

John Shoraka  
Associate Administrator  
Office of Government Contracting  
and Business Development