

Grading factors	Grades U.S. Nos.				
	1	2	3	4	5

(c) Is heating or of distinctly low quality.

¹ Includes damaged kernels (total), foreign material, shrunken and broken kernels.

² Unclassed wheat of any grade may contain not more than 10.0 percent of wheat of other classes.

³ Includes contrasting classes.

⁴ Includes any combination of animal filth, castor beans, crotalaria seeds, glass, stones, or unknown foreign substance.

* * * * *

Donna Reifschneider,

Administrator, Grain Inspection, Packers and Stockyards Administration.

[FR Doc. 03-13772 Filed 6-3-03; 8:45 am]

BILLING CODE 3410-EN-U

SMALL BUSINESS ADMINISTRATION

13 CFR Part 121

RIN: 3245-AE76

Small Business Size Regulations; Small Business Innovation Research Program

AGENCY: Small Business Administration (SBA).

ACTION: Proposed rule.

SUMMARY: The U.S. Small Business Administration (SBA) proposes to revise its small business size regulations to allow a small business that is owned and controlled by another business concern to be eligible for funding agreements under the SBA's Small Business Innovation Research (SBIR) Program. The proposed rule does not change the size standard requiring that an eligible small business concern, with its affiliates, have no more than 500 employees. The rule proposes to modify the small business eligibility requirements so that the SBIR awardee must meet one of the two following additional criteria: It must be a for-profit business concern that is at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States (as the regulations currently requires); or it must be a for-profit business concern that is 100% owned and controlled by another for-profit business concern that is itself at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States.

DATES: Comments must be received on or before July 7, 2003. Upon request, the SBA will make all public comments available.

ADDRESSES: Address written comments to Gary M. Jackson, Assistant

Administrator for Size Standards, Office of Size Standards, 409 Third Street, SW., Washington, DC 20416. You may submit comments via email to sizestandards@sba.gov, or via facsimile at (202) 205-6390. You may also submit comments electronically to <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: Carl Jordan, Office of Size Standards, at (202) 205-6618, or Maurice Swinton, Assistant Administrator for Technology, at (202) 401-6365. You may also email questions to sizestandards@sba.gov.

SUPPLEMENTARY INFORMATION:

Introduction

The Small Business Innovation Development Act of 1982 (SBIDA) (Pub. L. 97-219) established the SBIR Program. This document can be found at <http://thomas.loc.gov/bss/d097/d097laws.html>. According to its legislative history, SBIDA was enacted to increase the rate of productivity in the United States by increasing technological innovations, especially those innovations of small concerns. In addition, the SBIR Program was created to increase the efficiency of federally funded research and development (R&D) by providing a long-needed mechanism to enable agency personnel to tap the resources of small, innovative firms; to facilitate the conversion of federally funded research results into commercially viable products and services; and to increase the share of the Federal R&D budget awarded to small businesses.

The SBA's Small Business Size Regulations establish small business eligibility criteria for receiving awards under the SBIR Program (13 CFR 121.701-121.703). Section 121.702(a) states that to be eligible to compete for award of an SBIR funding agreement, a business concern must "(b) at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in, the United States; * * * ." A concern may not receive an SBIR award if it is more than 50% owned and controlled by another business concern, such as a corporation or partnership, even if that concern is at least 51% owned and controlled by

citizens of, or permanent resident aliens in, the United States.

SBIR Program managers at participating agencies will often receive a proposal from a concern that is owned by another concern. The concern's size, together with its parent company, will often be below the 500 employee small business size standard for an award, while its parent is at least 51% owned and controlled by one or more U.S. citizens or permanent resident aliens. However, because it is more than 50% owned by this other concern, it is ineligible for an SBIR award.

Consequently, potential SBIR awards go unawarded because there may be no other meritorious and feasible proposals from qualified concerns, and the innovations of otherwise eligible small business concerns go unfunded.

The SBA believes that when Congress established the SBIR Program and when the SBA initially wrote its regulations to comply with SBIDA, there were few if any small businesses wholly owned by other entities interested in participating in the program. SBIDA did not preclude the SBA from including them in the program with its original regulations, which it could have done had it been aware that they existed as potential participants.

The SBA's experience over the last several years has led it to believe that it should reconsider its policy on this eligibility restriction. The SBA is particularly concerned about the anomalous situation that occurs under the current regulations. A parent company with a wholly owned subsidiary can compete as an eligible small business for SBIR funding, but its wholly subsidiary cannot compete in its own name. The SBA believes this is an unnecessary restriction which results in either a wholly owned subsidiary not competing or having to compete through the parent company (which it would not otherwise do).

The SBA's Proposals

Without modifying the size standard requiring that a concern, together with its affiliates, may have no more than 500 employees, the SBA proposes to revise § 121.702 to allow an SBIR funding awardee to be either: