



September 10, 2025

The Honorable Nick LaLota
Chair
House Committee on Small Business
Contracting and Infrastructure
Subcommittee
U.S. House of Representatives
Washington, DC 20515

The Honorable Gil Cisneros
Ranking Member
House Committee on Small Business
Contracting and Infrastructure
Subcommittee
U.S. House of Representatives
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Chairman LaLota, Ranking Member Cisneros, and Members of the Subcommittee:

GovEvolve is pleased to submit the following testimony for the record for the Contracting and Infrastructure Subcommittee hearing, "Leveling the Playing Field: Fostering Opportunities for Small Business Contractors". GovEvolve is the leading advocacy organization for small and midsize businesses that support government innovation. GovEvolve works to support the technology industry by promoting public policies that encourage innovation and competitiveness. We respectfully submit this testimony on the Subcommittee hearing on small business contracting. We thank the Chairman, Subcommittee Chairman, Subcommittee Ranking Member, and the Subcommittee members and staff for their work and efforts on behalf of the small business IT contracting community.

As the voice for these distinct businesses, GovEvolve's mission is to help ensure that the government has access to the most modern technology by promoting public policies that encourage innovation and competitiveness. Agencies that have begun to adopt emerging technologies struggle to keep pace with technology challenges such as cybersecurity threats. At the same time, the federal government has begun to move toward acquisition of technologies through direct interaction with OEMs that are unable to accommodate specific agency needs and protections. GovEvolve supports mitigating the impediments to federal procurement and ensuring a robust acquisition landscape that enables government partners to access modern technology, tailored to their purposes and security needs. We raise the following issues for consideration by the Committee when seeking a leveled playing field for small business IT federal contractors:



Educate Government on Essential Role of IT Value-Added Resellers (ITVARs) in IT Modernization

The economic activity surrounding ITVARs is a distinct and critical force in the modern technology-driven marketplace. Unlike traditional resellers that merely facilitate transactions, ITVARs actively enhance the value of technology products, creating a service-based economy that extends far beyond the initial sale. Their role is unique because they bridge the gap between manufacturers and end-users, translating complex technologies into practical, revenue-generating solutions for businesses. ITVARs do far more than resell – they integrate, configure, deliver, and support complex IT environments. They help government customers architect and deploy multi-vendor solutions; ensure compliance with mandates including the DoD’s Cybersecurity Maturity Model Certification (CMMC), the Federal Risk and Authorization Management Program (FedRAMP), Trade Agreements Act (TAA), and Zero Trust; and reduce time, cost, and complexity across the acquisition lifecycle. Without ITVARs, agencies must absorb these responsibilities internally, which most are neither staffed nor resourced to do.

One-size-fits-all procurement reforms like the General Services Administration’s (GSA) OneGov Strategy risk increasing costs, reducing efficiency, and undermining mission outcomes – especially for small and midsized agencies that rely heavily on ITVAR support. These small companies go beyond simply selling technology products by adding a layer of services, bridging the gap between manufacturers and end-users. They transform complex technologies into practical, revenue-generating solutions for businesses.

For the federal government, ITVARs offer crucial support that strengthens the IT supply chain and helps agencies achieve their goals. They provide essential services, expertise in compliance, and market access that are critical to mission success.

Limit Centralization to Tier-1 Software

Limit the scope of OneGov-style procurement consolidation to software licensing from Tier-1 providers such as Microsoft, Adobe, and Google. Enterprise licenses from these vendors can be more cost-effective at scale and are generally non-mission-specific, low-risk products with long adoption histories. OneGov-style procurement, however, is less efficient for hardware, emerging technology such as Artificial Intelligence (AI), Zero Trust, Internet of Things (IoT), and multivendor integration projects, as the mission needs for these products vary drastically and require keeping up with rapidly evolving technology.



Create a Dedicated ITVAR NAICS Code

The ITVAR exception under the North American Industry Classification System (NAICS) code 541519 is insufficient to categorize the products and services required in recent complex IT procurements. Issues and restrictions surrounding small business procurements have led to frequent misclassification of IT acquisitions and potential liability for contractors.

From its origins as a fragmented industry facing regulatory uncertainty, the ITVAR market has become a dominant force in overarching IT procurement. Whether supporting federal agencies, small and mid-sized businesses, or multinational enterprises, ITVARs are increasingly critical in modernizing infrastructure, securing networks, and driving cloud-based transformation. With the U.S. market set to double by 2032, ITVARs are well-positioned to shape the next decade of IT innovation, federal contracting, and global technology adoption. Creating a dedicated ITVAR NAICS code, and an appropriate size standard, enables small contractors to provide the best possible IT solutions to the government.

Align the SBA's Small Business Size Standards to Keep Pace with the Federal Government's Buying Trends

Ensuring NAICS code size standards used by resellers reflect the size of contracts/task orders being awarded by federal agencies is important to the survival of these businesses.

The method of calculating whether a business is small seems like it should be fairly straight forward, but in the ITVAR industry, it is not. For IT resellers, there is no one NAICS code that easily fits all the products and services they provide. The acquisition workforce is required to designate a single NAICS code to a procurement. A solicitation for IT-related acquisitions can often be for a mix of both products and services, which is inadequately captured by the current NAICS system. Recognizing the traditional rules and regulations cannot properly be applied to IT resellers, federal agencies have sought numerous workarounds. The rules have not adapted to quickly changing technology-related procurements and ultimately this piecemeal approach has failed. Therefore, the SBA came up with a solution: "Footnote 18" under NAICS code 541519 - Other Computer Related Services.

Twenty years ago, ITVARs did not have teams that went on-site for customers to deploy and manage these solutions. Today, they employ deployment teams whose job it is to



go onsite and install the solution, integrate it with existing customer systems, and stay onsite often for many years to develop the inside of those systems. Twenty years ago, there were also far fewer contracts to bid on and the bids were fairly straightforward, requiring a small proposal team or light outsourcing of the proposal. Current proposal efforts are often extremely large, very complex and require a large staff to be successful. Additionally, opportunities in my industry are regularly solicited through large five- or ten-year contracts. So, if a company loses a bid for a spot on the contract, that small business cannot do business with that federal customer for many years. The stakes today are much higher.

At the core of ITVAR's economic activity are post-sale services – technical support, troubleshooting, and maintenance – which ensure that organizations fully utilize their investments. This sustained engagement fosters a recurring revenue model, where businesses continue to pay for expertise rather than products. ITVARs also generate additional revenue streams through customized training programs and extended support contracts, allowing firms to extract long-term operational value from their technology purchases.

The SBA's Office of Size Standards has a big mission – deciding what size a commercial company can be to be considered small, either in terms of revenue or employees. Size standards are industry specific and set through NAICS codes. The SBA calculates size standards by computing a weighted average of businesses in an industry using five factors: average firm size, average assets size, four-firm concentration ratio, Gini Coefficient (measure of statistical dispersion intended to represent the income inequality, the wealth inequality, or the consumption inequality within a nation or a social group), and small business participation in federal contracting.

This model does not consider the unique nature of the ITVAR industry, and we applaud the Committee's effort to highlight this issue in February 2024 during a full Committee hearing on size standards. We are encouraged by the SBA's recent announcement of industry roundtables on their monetary-based size standards proposed rule and encourage the Committee to continue oversight into the SBA throughout this process.

Codify the Rule of Two

For IT small business contractors, codifying the rule of two into law is especially critical given the rapid growth and consolidation of the federal technology marketplace. Too often, large prime contractors dominate IT awards, leaving innovative small firms – who



are frequently at the cutting edge of cybersecurity, cloud, and emerging technologies – without a fair shot to compete.

By embedding the rule of two into statute, Congress would ensure that contracting officers consistently set-aside opportunities when multiple capable ITVARs exist, creating a more predictable and equitable procurement environment. This clarity not only reduces the risk of misinterpretation or inconsistent application across agencies but also strengthens the role of small businesses in advancing federal missions with agile, cost-effective, and innovative technology solutions. In short, codification protects access to the IT supply chain for small contractors, fuels competition, and helps the government tap into the innovation engine that small businesses uniquely provide.

Thank you for your consideration of these critical issues facing IT small business contractors. For additional information, please contact me at calsup@madisonservicesgroup.com.

Sincerely,

A handwritten signature in blue ink that reads "Chris Alsup".

Chris Alsup
Executive Director
GovEvolve