

these distributions of receipts support a size standard no less than the highest employee-equivalent size standard of the higher-size standards group and up to about twice that level, or between 230 to 400 employees.

*SBA Program Considerations:* As part of the review of a size standard, the SBA reviews how a change might impact its programs. Most of the impact of a change to the ITVAR size standard will occur in Federal contracting. Data are not collected on Federal contracts designated as ITVAR contracts. These types of contracts are reported in several industry categories. For purposes of the ITVAR size standard analysis, the SBA sorted data by NAICS codes and the Federal Procurement Data Center's (FPDC) Product and Service (PCS) codes to assess small business participation in Federal contracting. Under the existing size standards, an ITVAR contract is

classified under a NAICS manufacturing code since the majority of the dollar value of an ITVAR contract (as defined in the proposed rule) is for computer equipment. Some of these contracts, however, are also classified under a wholesale trade code, albeit improperly. The SBA examined contracts awarded during fiscal years 2001–02 in three NAICS industries—Electronic Computer Manufacturing (NAICS 334111), Other Computer Peripheral Equipment Manufacturing (NAICS 334119), and Computer and Computer Peripheral Equipment and Software (NAICS 421430). From these contracts, ITVAR contracts were identified as those that the contracting agency had also designated the services PSC of “Automatic Data Processing and Telecommunication Services” (PSC codes D301 through D399). The resulting list of contracts therefore

consisted primarily of computer equipment but also require related services to be performed by the contractor.

The SBA recognizes that this set of Federal contracting data only approximates Federal ITVAR contracting. However, the types of contracts identified capture the types of activities described by the ITVAR size standard description. Also, the large volume of contracting identified by the SBA's approach (\$925.7 million) is highly likely to capture significant trends in small business participation. For these two considerations, the SBA believes that data are sufficient to assist in evaluating an ITVAR size standard.

Table 3 shows the amount of estimated ITVAR Federal contracting for fiscal years 2001–02.

TABLE 3.—FEDERAL CONTRACTS FOR INFORMATION TECHNOLOGY VALUE ADDED RESELLERS, FISCAL YEARS 2001–02

Fiscal year	Actions			Dollars		
	Total	Small business	Percent	Total	Small business	Percent
2001 .....	1,514	714	47.2	\$405,048,000	\$143,432,000	35.4
2002 .....	1,790	937	52.3	\$520,676,000	\$137,987,000	26.5
2001–02 .....	3,304	1,651	50.0	\$925,724,000	\$281,419,000	30.4

Source: SBA estimates from the Federal Procurement Data System, U.S. General Services Administration.

These data show small businesses obtaining half of ITVAR contract actions. These small business awards represent about 30% of the total dollar of contract awards. Compared to the share of total industry receipts, small ITVARs obtained 45.5% of total industry sales. This discrepancy between the small business shares suggests that small businesses as a group are less competitive in the Federal ITVAR market than in the private sector. The overall level of small ITVAR participation in Federal contracting does not support the need to lower the current 500 employee size standard.

The comments opposing the proposed 500 employee size standard, however, argued that many small businesses are not competitive against the larger small

businesses that are hundreds of employees in size. The SBA examined this point in greater detail. The data show that larger small businesses, those between 200 to 500 employees, accounted for only one-fifth of the ITVAR contracts awarded to small businesses. Furthermore, most contracts identified as ITVAR contracts were full and open contracts. In terms of the dollar value of all Federal ITVAR contracts, the larger small businesses obtain 6.2% of contracts dollars, which is slightly below their estimated 8.7% share of total industry sales. Thus, it does not appear that a compelling argument exists that Federal ITVAR awards to small businesses are dominated by the larger small businesses.

The SBA believes that much of the concern about larger small businesses dominating small business awards are associated with contracts exclusively for IT equipment. The SBA is examining in a similar manner those Federal contracts and will assess the implications of its findings on the nonmanufacturer size standard.

The 7(a) Loan Guaranty Program is SBA's primary business loan program. Table 4 below summarizes the number and amount of 7(a) loans that SBA guaranteed to firms in the two industries comprising ITVARs over the past two fiscal years. The SBA does not identify firms below an industry level to more specifically identify ITVARs.

TABLE 4.—7(A) LOANS IN NAICS 421430 AND NAICS 5415

	FY 2001		FY 2002	
	No.	Amount	No.	Amount
7(a) Loans .....	227	\$41,802,575	921	\$139,293,461
Average Loan Size .....	184,152		151,242	

Source: SBA internal data base.