
SHOULD I CONSIDER GOVERNMENT CONTRACTS?

The US government is the largest purchaser of goods and services. It awards \$ 500 billion dollars a year in government contracts and 23 percent of all prime government contracts go to small businesses. Common cost reimbursement contracts appear in the field of research and development. Other contracts include material contracts and letter contracts.

This section presents the types of government contracts, set asides and subcontracting.



HOW GOVERNMENT CONTRACTING WORKS

The government uses two methods for purchasing goods and services: sealed bidding and negotiation.

Sealed bidding involves issuing an invitation for bid by a procuring agency. Under the sealed bidding method, a contract is awarded to a responsible bidder whose bid, conforming to the invitation for bids, is most advantageous to the government. Considering only price and price related factors included in the invitation for bid.

Negotiation involves issuing a Request For Proposal (RFP) or Request For Quotation (RFQ). The business with the best proposal in terms of technical content, best value, price and other factors generally wins the contract.

TYPES OF CONTRACTS

Firm fixed price contracts place the full responsibility for the costs and risk of loss on the contractor. Firm fixed price contracts do not permit any adjustment on the basis of the contractor's costs during the performance of the contract. It provides maximum incentive for the contractor to control costs and perform effectively and imposes minimum administrative burden upon the contracting parties. This type of contract is used in all sealed bid and some negotiated procurements.

SMALL BUSINESS SET ASIDES

A "set aside" for small businesses reserves an acquisition exclusively for small business participation. There are two ways in which set asides can be determined. First, if an acquisition of goods or services has an anticipated dollar value of at least \$ 3,000 but not exceeding \$ 150,000, it is automatically reserved for small businesses. The acquisition will be set aside only if the contracting officer determines there are two or more responsible small businesses that are competitive in terms of market prices, quality and delivery. Second, if an acquisition of goods or services is more than \$ 150,000 and if it is likely offers will be obtained from at least two responsible small businesses, and if awards will be made at fair market prices, the acquisition is reserved exclusively for small businesses. Reasonable expectations of small business competition may be evaluated using history of an item or similar items.

There are several exceptions and unique rules for specific kinds of small businesses and industries. For research and development (R& D) small business set asides, there must be reasonable expectation of obtaining from small business the best scientific technological resources consistent with demands and proposed acquisition. For small business set asides other than for construction services, any business proposing to furnish a product that it did not manufacture must furnish the product of a small business manufacturer unless the SBA has granted either a waiver or exception to this requirement. In industries where the SBA finds that there are no small business manufacturers, it may issue a waiver to this non-manufacturer rule. Waivers permit small businesses to provide any domestic firm's product.

SUBCONTRACTING

Subcontracting opportunities are a great resource for small businesses, especially for those not ready to bid as prime contractors. Experience gained from subcontracting with a federal prime contractor can better prepare businesses to bid for prime contracts.

Current regulations stipulate that for contracts offering subcontracting opportunities over \$ 650,000 for goods and services, or \$1.5 million for construction, large businesses prime contractors must offer maximum practicable subcontracting opportunities to small businesses. Large business prime contractors must submit a subcontracting plan describing how they will successfully subcontract to small businesses.

Research the list of prime contractors to determine which are best suited to your business. Develop a marketing strategy, and then contact the Lawrence N. Field Center Entrepreneurship to schedule an appointment.

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