

8(a) Business Development Program

U.S. Small Business Administration



Your Small Business Resource

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8(a) Business Development Program

- 8(a) Program Objectives
- 8(a) Eligibility Requirements
- 8(a) Where did it come from?
- Small Disadvantaged Business



8(a) Business Development Program Objectives

- Promote equal access for socially and economically disadvantaged individuals to participate in the business sector of the nation's economy
- Promote the competitive viability of such concerns.
- Enhance business prospects through federal contracting and subcontracting opportunities.



Eligibility Requirements

- Be a Small Business by NAICS Code
- Two Years in Business - waiver possible
- 51% Owned & Controlled by U.S. Citizen(s) that are Socially & Economically Disadvantaged
- Social Disadvantage is defined as:
 - Member of recognized minority group
 - Individuals that are not members of a recognized minority group must prove past discrimination thru preponderance of evidence.



Eligibility Requirements

- Economic Disadvantage
 - Personal Net Worth does not exceed \$250,000
 - Minus equity in home & equity in business
 - Must not be in upper 2% of income earners per most recent IRS data
 - Total assets less than \$4-\$5 million
 - Community property taken into consideration



Eligibility Requirements

➤ Ownership & Control

Disadvantaged Individual(s) Must:

- Hold the position of President or CEO, or Managing Partner
- Have the ability to hire, fire, set policies, control budget and financial disbursements
- Have the ability to commit to contracts.
- Disadvantaged director(s) of the board must control the board by actual number of votes & establish a quorum without the presence of non-disadvantaged directors.



Eligibility Requirements

➤ Keys to Ownership & Control

Does a non-disadvantaged individual:

- Hold the critical or necessary license for the industry or provide necessary license/bonding?
- Have unlimited access to the business bank accounts?
- Provide critical financing?
- Control through business loan arrangements?
- Receive excessive compensation?



Ineligible Participants

- Broker or Packagers
- Anyone who been debarred or suspended from doing business with the Federal Gov't.
- Nonprofit organizations
- Any person who is on Parole or Probation
- Any business that has already participated in the program. Even if ownership and control has completely changed, firm may not re-apply.



8(a) Tidbits

- Must submit Business Plan and Annual Update to remain in program
- May enter Mentor/Protégé Arrangements
 - Possible JVs with Large Business
- 8a Firms Must Perform Percentage of Work
 - Contract for Services
 - 50% of the Personnel Costs incurred w/its own employees



8(a) Tidbits

- **Supplies or Products**
 - 50% of the Personnel Costs incurred w/its own employees
- **General Construction Contracts**
 - 15% of the cost of the contract w/its own employees – not including the costs of materials
- **Specialty Trade Contractors**
 - 25% of the cost of the contract w/its own employees – not including the costs of materials



8(a) Where did it come from?

- 1964-1968
 - 6 by 6 Pilot Loan Program - \$6,000 up to 6 years. (Character vs Collateral Based)
 - Economic Opportunity Loans established 1964/65. Up to \$25,000
- 1968 - 1978 New programs established
 - MESBICs, Revolving Lines of Credit
 - Surety Bond (1971)
 - Minority Vendors Program
 - Section 8(a) added, Amended SBA Acts of 1953/58



8(a) Where did it come from?

- 1968 - 1978 New programs (cont'd)
 - 8(a) authority after '67 riots “test cities”
 - 8(a) “employment” program
 - 8(a) “contracting” program implemented by Executive Order
- 1978 - 1980
 - PL 95-507 (1978) gave 8(a) statutory authority, clarified objectives, established OSDBU, 8(d) subcontracting
 - Business Development vs Contracting

Note: Prior to PL 95-507, **less than 1%** of contracts went to minority owned SBs



8(a) Where did it come from?

- 1978 - 1987
 - 8(a) program expansion
 - Advance payments & business development grants (\$7 & \$4 million) led to Wedtech Scandal - contracts of \$280 million, KOs, contractors, SBA employees & congressmen
 - GAO “Too much, Too few, Too long”
- 1988 - PL 100-656
 - PL 100-656 established program limits (9yrs) & introduced competition
 - Competitiveness Demonstration Program
 - Comp Demo – Emerging Small Business



Small Disadvantaged Business Eligibility Requirements

- Be a Small Business by NAICS Code
- 51% Owned & Controlled by U.S. Citizen(s) that are Socially & Economically Disadvantaged
- Social Disadvantage is defined as:
 - Member of recognized minority group
- Economic Disadvantage
 - Personal Net Worth does not exceed \$750,000
 - Minus equity in home & equity in business



Small Disadvantaged Business Eligibility Requirements

- SBA no longer certifies SDBs as of 10/01/08
- Requirements to be SDB have not changed
- Up tick in firms no meeting the criteria “self certifying” SDB status in CCR

Note: CCR, DSBS and ORCA are official U.S. Gov't sites. Misrepresentation of your firm's status can have serious repercussions.



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