



GOVERNMENT PROCUREMENT OPPORTUNITIES FOR YOUR SMALL BUSINESS



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GOVERNMENT PROCUREMENT: BUSINESS PLANNING GUIDE

CONTENTS

Introduction	3	Acknowledgements	46
Writing an Effective Business Plan	4	Appendixes	48
Types of Business Organizations	7	Appendix A	48
Sole Proprietorship	7	Procurement Terminology & Glossary	
Partnership	8	Appendix B	51
“S”Corporation/“C” Corporation	8	Frequently Asked Questions	
LLC and LLP	9	Appendix C	56
Sources of Financing	10	Additional Marketing Resources	
How to Register a Business Name (DBA) ...	12	Appendix D	58
Self-Employment Tax	12	Federal Office of Small and	
Employer Responsibilities Checklist	13	Disadvantaged Business Utilization	
Accounting and Record Keeping	14	(OSDBU) Offices	
Getting Started in Government		Appendix E	61
Contracting	20	Online Resources for Doing Business	
Doing Business With the Federal		With New York State	
Government	20	Appendix F	63
Plan & Design Your Web Content	32	Online Resources for Doing Business	
Social Media	33	With New York City	
E-Procurement	33	Appendix G	65
Doing Business With New York State	34	New York State Construction Contract	
Identifying Opportunities	37	Opportunities	
Steps to Procurement Success	43	Appendix H	66
		Federal Preference Programs and	
		Resources	

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INTRODUCTION

The US government is the biggest customer in the world. In 2007, state and local governments purchased \$1.74 trillion in goods and services, exceeding the federal government's expenditure of \$500 to \$600 billion. Fewer than 2% of registered companies in the US seek out government contracts. We can take two important things from this – government spending represents a real opportunity for small business and governments will continually look for and implement new ways to purchase new goods and services.

Procurement is the term used for the process or act by which the government obtains the supplies and services it needs. Doing business with the government is not as easy as selling products to other businesses, but it is a process that can be learned. A business does not have to be big to sell products and services to the government. Even very small companies can obtain a government contract. The most important thing is the company's ability to fulfill the obligations of its contract, not the number of employees on its roster.

The goal of this publication is to provide the reader with some ideas, strategies and general information to understand, utilize and grow a small business by accessing government procurement and to provide an understanding of the opportunities available with customers at all levels of government.

Starting almost 20 years ago the federal government's National Performance Review, along with the "process improvement" movement at the state and local level, changed the role of the procurement function. Among other things, procurement was expected to be more outcome-based and service-oriented, with metrics to measure performance. Many government agencies began to evaluate procurement systems to determine if they helped or hindered the functions of government itself. Specific questions were asked to determine if there were ways to improve the system to perform better and faster. Additional efforts looked to see if it was easier for vendors to supply needed services and commodities without an abundance of paperwork and time-consuming processes that actually increased the costs of competing for government business.

E-procurement has been the evolving answer to many of these questions and strategies for government at all levels. From small changes like increased use of email for document distribution to the use of procurement cards (basically credit cards) for payments to business, many of these changes have simplified the process, reduced cost through efficiencies and reduced acquisition costs through increased competition.

E-procurement, or electronic procurement, is a relatively new term in procurement and it is important for small business to understand it. E-procurement breaks down into components: purchasing, spend data collection and analysis, sourcing (that is, conducting the actual competition for a contract), vendor invoicing, and vendor payment.

Many state and local jurisdictions are using one or more of these components to be more efficient in the procurement process and to achieve best pricing through broader bidder pools. In Florida, for example, e-procurement encompasses 95,000 vendors registered and by the end of 2007, the state was spending \$4.4 billion through it. See page 33 for more information about e-procurement.