

SMALL BUSINESS DEFINITION AND STATE PROCUREMENT PREFERENCES

Operations and Performance of the Department of Small Business and Supplier Diversity, 2020

POLICY OPTIONS – VIRGINIA'S SMALL BUSINESS DEFINITION

Note: JLARC staff reviewed and analyzed several options for the General Assembly to consider if it wants to change Virginia's small business definition. The options are listed below and detailed in Chapter 5 of the report.

- ▶ The General Assembly could amend §2.2-4310 and §2.2-1604 of the Code of Virginia to change the small business definition to businesses that have no more than 250 employees and gross receipts of no more than \$10 million. (Option 5)
- ▶ The General Assembly could amend §2.2-4310 and §2.2-1604 of the Code of Virginia to change the small business definition by reducing the number of employees and gross receipts that a business may have to qualify as a small business. (Option 6)
- ▶ The General Assembly could amend §2.2-4310 and §2.2-1604 of the Code of Virginia to direct that a small business definition be developed for each industry, with thresholds for number of employees or gross receipts, or both, that are based on the size characteristics of Virginia businesses in that industry. (Option 7)
- ▶ The General Assembly could amend §2.2-4310 and §2.2-1604 of the Code of Virginia to direct that a small business definition be developed that is set at 50 percent of the federal small business definition for each industry. (Option 8)
- ▶ The General Assembly could amend §2.2-4310 and §2.2-1604 of the Code of Virginia to direct that a small business definition be developed for groupings of industries based on size and types of goods and services state agencies purchase. (Option 9)

POLICY OPTION

Workgroup to review procurement preferences and small business definition ► The General Assembly could consider authorizing in the Appropriation Act an executive branch workgroup to consider whether and how to adjust the (i) state's procurement preferences for businesses (including women and minority ownership if the disparity study concludes doing so may be permissible), and (ii) state's definition of small business. The workgroup could be required to submit proposed legislative changes to the House General Laws Committee, Senate General Laws and Technology Committee, and Small Business Commission by November 1, 2021. (Option 10)