

**1230.1600 ELIGIBILITY FOR SOCIALLY DISADVANTAGED OR ECONOMICALLY DISADVANTAGED AREA SMALL BUSINESS PROGRAM.**

Subpart 1. **Eligible businesses.** The following businesses are eligible for participation in the socially disadvantaged or economically disadvantaged area small business program: manufacturer, manufacturer's representative, dealer, jobber, distributor, contractor, and businesses engaged in a joint venture.

Subp. 2. **Ineligible businesses.** The following businesses are not eligible for participation in the socially disadvantaged or economically disadvantaged area small business program: brokers, third-party lessors, and franchises.

Subp. 3. **Revenue or sales limitations; socially disadvantaged or economically disadvantaged area small business program.** For the purpose of identifying businesses eligible to participate in the program, the preference and set-aside programs for targeted group small businesses; or for small businesses located in economically disadvantaged areas, the qualifying parameter must be expressed in terms of gross annual revenues or sales as an upper limitation; i.e. "not to exceed." In no case may the limitation for any category of business enterprise be set at less than \$1,000,000.

A. Classification codes SIC or NAICS must be used in classifying limitations among the variety of businesses potentially eligible for participation in the program.

B. Limitations and standards must be set for each major, two-digit, group based on the following procedure:

(1) Typical financial balance sheet information compiled in annual reports such as the Robert Morris and Associates annual statement studies, Dun and Bradstreet, or similar reporting services will be used to establish the range of annual revenues or sales for a given major group class. This range shall, wherever the data is available, reflect an average of at least three consecutive reporting years, but shall not exceed five years.

(2) The upper limitation defining small business based on annual gross revenues or sales is determined by establishing a representative annual market consisting of the total gross revenues or sales generated by the reporting sample class. The lower quartile, 25 percent, of this market shall represent the small business category.

(3) The average gross revenues of the number of firms it requires to equal the total lower quartile market shall be the upper limit, defined in gross annual revenues or sales, permitted for definition of a small business for the purposes of this program.

(4) Where the three-digit code data treated in subitems (1) to (3), varies significantly from the two-digit aggregated data or the four-digit data varies significantly

from the two- or three-digit classes, a specific limitation must be established for that three- or four-digit class.

(a) Significant variation for differences between two- and three-digit codes shall be five percent above or below the two-digit standard for gross annual revenue or sales.

(b) Significant variation for differences between three- and four-digit codes shall be five percent, or ten percent above or below the two-digit standard.

(5) The Department of Administration shall annually reexamine one-third of the groups for appropriate limitations and redefinition.

**Statutory Authority:** *MS s 16B.04; 16B.18; 16B.19; 16B.22; 16C.03; 16C.16; 16C.19*

**History:** *16 SR 194; 28 SR 499*

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