

state of maryland

Board of Public Works

governor • treasurer • comptroller

Report to the Legislative Policy Committee
on the Operations and Effectiveness of the

Small Business Reserve Program



Treasury Bldg, Room 117
80 Calvert Street
Annapolis, Maryland 21401

Fiscal Year 2019

MARYLAND
BOARD OF PUBLIC WORKS

Governor Treasurer Comptroller

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October 29, 2019

The Honorable Thomas V. Mike Miller, Jr.
The Honorable Adrienne Jones
Legislative Policy Committee
Legislative Services Building, Room 200B
90 State Circle
Annapolis, Maryland 21401 - 1991

Dear Mr. President and Madam Speaker:

As required by State Finance and Procurement Article, §14-505, the Board of Public Works is submitting the FY'19 Small Business Reserve Program Report.

Please feel free to contact me if you have any questions.

Sincerely,



Gabriel Gnall
Procurement Advisor

CC: The Honorable Lawrence J. Hogan, Jr.
The Honorable Nancy K. Kopp
The Honorable Peter Franchot
Sheila McDonald, Executive Secretary
Sarah Albert, Legislative Services
Enoch Pratt Free Library

EXECUTIVE SUMMARY

The Small Business Reserve (SBR) Program aims to increase participation in State procurements by small businesses. Under the Program in Fiscal Year (FY) 2019, State agencies were required to structure their procurement procedures to achieve at least 15% of the procurement unit's dollars expended directly with certified small businesses at the prime contract level. For FY 2019, the SBR program recorded an **increase in participation to 10.6%** from 10.2% in FY 2018, with **total payments of \$403 million** during FY 2019.

I. SCOPE OF REPORT

Every designated agency must submit an annual report to the Board of Public Works concerning that agency's experience with the Small Business Reserve Program in the preceding fiscal year. The Board is tasked with compiling the annual information and submitting a report "on the operation and effectiveness of the entire Small Business Reserve Program" to the Legislative Policy Committee.

II. PROGRAM OPERATION

The Small Business Reserve Program became effective October 1, 2004. The primary goal of the Program is to facilitate the participation of small businesses in Maryland's procurement system. Procurements that are designated "small business reserve" are only open to certified small businesses. Each State agency was required to structure its procurement procedures to ensure that at least 15% of its procurement dollars were expended directly with certified small businesses at the prime contract level.

Agencies are permitted to restrict a solicitation to participation by only certified small businesses.¹ When an agency restricts a solicitation in that manner, an eligible but uncertified small business may submit a bid/proposal, but that business must be certified before being awarded the contract.²

Minority Business Enterprises that meet the size criteria may be certified as small businesses.³ Nonprofit organizations are not eligible for certification.⁴ The law excludes procurements to preference providers such as Maryland Correctional Enterprises, Blind Industries and Services of Maryland, and community services providers and individual with disability owned businesses under the Employment Works Program.⁵

III. RECENT CHANGES

Statutory Changes: Effective October 1, 2017, the Small Business Reserve Program was expanded significantly,⁶ following recommendations made by the 2016 Commission to Modernize State Procurement chaired by Lt. Governor Boyd Rutherford.⁷ The changes to the Program included:

- Expanding eligibility in the program from 23 designated agencies to all State procurement units.

¹ §14-504(a) of the State Finance and Procurement Article

² COMAR 21.11.01.06

³ Section 14-501(b)(1) of the State Finance and Procurement Article

⁴ COMAR 21.11.01.01B(1)

⁵ Section 14-502(b) of the State Finance and Procurement Article

⁶ Chapter 438 (Laws of 2017) revised §§14-501 – 14-505 of the State Finance & Procurement Article

⁷ <http://msa.maryland.gov/msa/mdmanual/26excom/defunct/html/29procurem.html>

- Increasing the Small Business Reserve goal from 10% to 15% of all State procurement unit expenditures.
- Limiting the types of expenditures that may be counted towards the Small Business Reserve goal to only expenditures under contracts that resulted from procurements designated as Small Business Reserve procurements. i.e. If a procurement is not given the Small Business Reserve designation, limiting competition to only small businesses, the resulting contract's expenditures may not be counted towards the 15% Small Business Reserve goal, even if the contract is awarded to a certified small business.

eMaryland Marketplace Vendor Database: The vendor database in *eMaryland Marketplace (eMM)* is currently in a state of transition due to the award of a new *eMM* contract, with changed contractors and an entirely new eProcurement system effective July 2019. The vendor database is still being rebuilt from its former state, with all vendors, including small businesses, registered under the old system now required to register with the new system. As a result, the number of small businesses registered in *eMM* is not yet close to the number registered under the old system, but the number of registrations is steadily increasing.

IV. PROGRAM EFFECTIVENESS

- In FY 2019, the **percentage of agency procurement dollars** going to certified small business enterprises **increased to 10.6%**, while 10.2% was achieved in FY 2018.
- Overall State SBR Program **expenditures decreased** from \$408,853,970 in FY 2018 **to \$403,069,604** in FY 2019.
- Due to the recent transition to a new *eMM* system and recreation of the vendor database, reporting the current number of small businesses registered in *eMM* would not be an effective datapoint to help measure the SBR Program's effectiveness. However, after more vendors are able to complete registration with the new *eMM* system, future SBR Reports will resume including the number of registered small businesses to assist in measuring the Program's effectiveness.

Percentage of Procurement Dollars Spent on Small Business Reserve Program – Fiscal Year 2019

	SBR Participating Agency/Department	SBR Payments	Total Payments	SBR Participation
1	Agriculture	\$643,717	\$5,352,314	12.03%
2	**Aging			
3	Archives	\$336,126	\$1,261,324	26.65%
4	**Assessments & Taxation			
5	Attorney General's Office	\$269,637	\$817,368	32.99%
6	Baltimore City Community College	\$1,104,258	\$10,178,703	10.85%
7	Budget and Management	\$689,842	\$384,772,153	0.18%
8	Canal Place Preservation	\$145,490	\$161,012	90.36%
9	Commerce (DBED)	\$1,052,776	\$3,807,156	27.65%
10	Commission on Civil Rights	\$245	\$87,555	0.28%
11	Comptroller	\$4,228,398	\$36,120,375	11.71%
12	Education	\$7,241,820	\$61,519,467	11.77%
13	Environment	\$3,285,161	\$9,018,237	36.43%
14	Environmental Services	\$12,735,951	\$97,794,887	13.02%
15	Executive Department - Office of the Governor	\$250,417	\$4,872,384	5.14%
16	Food Center Authority	\$994,448	\$3,401,461	29.24%
17	General Services	\$31,995,225	\$131,180,894	24.39%
18	Health	\$17,109,044	\$281,243,487	6.08%
19	**Higher Education Commission			
20	Housing & Community Development	\$3,662,092	\$18,552,190	19.74%
21	Human Services	\$11,084,435	\$152,789,419	7.25%
22	Information Technology	\$9,339,356	\$56,412,612	16.56%
23	Insurance Administration	\$324,990	\$1,922,818	16.90%
24	**Juvenile Services			
25	Labor, Licensing & Regulation	\$3,153,367	\$28,452,784	11.08%
26	Lottery & Gaming Control	\$11,884,440	\$65,956,323	18.02%
27	Military	\$500,158	\$3,345,753	14.95%
28	Morgan State University	\$2,759,904	\$95,891,063	2.88%
29	**Natural Resources			
30	Office of People's Counsel	\$6,763	\$8,257	81.91%
31	Planning	\$434,164	\$1,452,007	29.90%
32	**Prosecutors Office			
33	**Public Defender			
34	Public Safety & Correctional Services, Department of	\$42,659,568	\$280,390,320	15.21%
35	Public Safety Commission	\$65,013	\$626,513	10.40%

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36	**Public Television			
37	Retirement	\$689,167	\$8,199,140	8.41%
38	School of the Deaf	\$446,627	\$2,671,313	16.72%
39	Stadium Authority	\$23,791,158	\$221,100,881	10.76%
40	State Board of Elections	\$3,847,641	\$19,743,539	19.49%
41	State Police	\$8,603,374	\$42,043,960	20.46%
42	Subsequent Injury Fund	\$17,771	\$149,694	11.87%
43	**Supplemental Retirement			
44	Tax Court	\$0	\$18,214	0.00%
45	Transportation			
	<i>The Secretary's Office</i>	\$8,114,127	\$59,836,637	13.56%
	<i>Maryland Aviation Administration</i>	\$8,213,376	\$152,121,276	5.40%
	<i>Maryland Transit Administration</i>	\$31,650,280	\$359,460,050	8.80%
	<i>Motor Vehicle Administration</i>	\$17,797,424	\$54,208,363	32.83%
	<i>State Highway Administration</i>	\$33,973,087	\$418,962,303	8.11%
	<i>Maryland Port Administration</i>	\$7,918,188	\$30,021,457	26.38%
	<i>Maryland Transportation Authority</i>	\$51,905,413	\$418,291,040	12.41%
46	Treasurer's Office	\$370,661	\$6,201,242	5.98%
47	University System of Maryland			
	<i>Bowie State University</i>	\$2,208,667	\$12,048,111	18.33%
	<i>Coppin State University</i>	\$1,144,334	\$11,397,665	10.04%
	<i>Frostburg State University</i>	\$2,671,126	\$11,554,729	23.12%
	<i>Salisbury State University</i>	\$3,549,197	\$19,537,071	18.17%
	<i>Towson University</i>	\$14,981,822	\$64,008,413	23.41%
	<i>University of Baltimore</i>	\$752,342	\$9,041,949	8.32%
	** <i>University of MD, Baltimore</i>			
	<i>University of MD, Baltimore County</i>	\$5,471,336	\$93,166,130	5.87%
	** <i>University of MD, College Park</i>			
	<i>University of MD, Eastern Shore</i>	\$667,714	\$13,832,618	4.83%
	<i>University of MD, Global Campus</i>	\$3,102,578	\$46,288,537	6.70%
48	Veteran's Affairs	\$427,860	\$1,853,690	23.08%
49	Workers' Compensation Commission	\$2,797,529	\$2,859,458	97.83%
	STATEWIDE TOTAL	\$403,069,604	\$3,816,006,316	10.56%

**Agency did not provide reporting information before deadline