

MARYLAND
BOARD OF PUBLIC WORKS

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August 9, 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

RE: Report on Veteran-Owned Small Business Participation for FY 2018

Dear Mr. President and Ms. Speaker:

In accordance with State Finance and Procurement Article, §14-604, Annotated Code of Maryland, the Board of Public Works is submitting the fiscal year 2018 report on veteran-owned small business participation.

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

**REPORT TO THE LEGISLATIVE POLICY COMMITTEE
ON
VETERAN-OWNED SMALL BUSINESS PARTICIPATION
FISCAL YEAR 2018**

AS REQUIRED BY
STATE FINANCE & PROCUREMENT ARTICLE
SECTION 14-604,
ANNOTATED CODE OF MARYLAND

AUGUST 2019

Board of Public Works of Maryland
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EXECUTIVE SUMMARY

Maryland’s Veteran-Owned Small Business Program enhances opportunities for veteran-owned small businesses and service-disabled veteran-owned small businesses to participate in State procurements.¹ State agencies must structure their procurements to annually spend – directly or indirectly – at least 1% of their total dollar value of procurement contracts with veteran-owned small business enterprises.² To qualify for participation, a veteran-owned small business was required to be verified by United States Department of Veteran Affairs Center for Verification and Evaluation which maintains a directory of verified businesses. However, the requirements for participation changed effective October 1, 2018, and veteran-owned businesses are no longer required to be verified by the Center for Verification and Evaluation.³

The Board of Public Works has compiled annual reports from each agency and reports statewide progress to the Legislative Policy Committee. Fiscal year 2018 is the Program’s sixth reporting year. Key findings are:

VSBE Expenditures in FY 2018 Exceeded the Annual Goal for the First Time

- With the VSBE Program now in its 8th year, FY 2018 is the first year that agencies’ combined results were not only able to meet the State’s goal of 1%, but also significantly surpass the goal. The average Veteran-owned small business participation for FY 2018 was 2.10%; well beyond the FY 2017 average of 0.49% and the 0.24% participation rate in FY 2016. Primary contributing agencies, based on the total dollar amount of procurement contracts awarded, included the Maryland Transit Administration, the Department of Health, the Department of General Services, and the Maryland Transportation Authority.
- Nine agencies exceeded the State’s 1% participation goal in FY 2018, an increase from five in FY 2017 and four in FY 2016:
 - Maryland Transit Administration 9.75%
 - Department of Aging 5.82%
 - Department of Military 4.53%
 - Department of Health 2.48%
 - Workers’ Compensation Commission 1.59%
 - Maryland State Lottery Agency 1.39%
 - Maryland Transportation Authority 1.38%
 - Department of General Services 1.25%
 - State Board of Elections 1.24%

¹ Chapters 507 and 508 (Laws of 2010); §§ 14-601—14-606, State Finance & Procurement Article, Annotated Code of Maryland.

² Chapters 343 and 344 (Laws of 2015), effective October 1, 2015, increased the goal from 0.5% to 1%.

³ Chapter 708 (Laws of 2017), effective May 25, 2017, revised §14-601 and added §14-606, State Finance & Procurement Article, Annotated Code of Maryland.

I. Veteran Owned Small Business Program

The Veteran-Owned Small Business Program, enacted in 2010, requires State agencies to try to expend a minimum of 1% of the total dollar value of agency procurement contracts directly or indirectly on veteran-owned small businesses.⁴ Veteran-owned small businesses status is determined by size standards adopted by the United States Small Business Administration in 13 C.F.R. 121.201 and whether at least 51% of the business is owned by one or more individuals who are veterans that control the management and daily operations of the business.⁵

Scope of Report

Since the inception of the VSBE Program, the Board of Public Works has been required to annually collect compliance reports from each State procurement agency and report to the Legislative Policy Committee on the amount of contracts awarded to veteran-owned small business and on the effectiveness of the program.⁶ However, effective October 1, 2018 and starting with the FY 2019 report, the Governor's Office of Small, Minority, and Women Business Affairs shall collect the compliance reports from agencies and report to the Legislative Policy Committee.⁷ Agencies that are exempt from the State Procurement Law, such as the University System, are exempt from the Program and do not report their data.

II. VSBE Awards Reported by Agency (FY 2018)

Veteran Small Business Enterprise Totals FY 2018

Agency	Total \$ All Procurement Contracts Awarded	Total \$ VSBE Prime Contracts Awarded	Total \$ VSBE Subcontracts Awarded	VSBE Participation %
Aging (MDOA)	\$1,196,342	\$69,655	\$0.00	5.82%

⁴The Veteran-Owned Small Business Program is independent of the long-standing Small Business Preference Program. The latter program also benefits veteran-owned businesses by establishing a price preference of up to 8% for veteran-owned and service-disabled veteran-owned small businesses. State Finance & Procurement Article, §14-206, Annotated Code of Maryland.

⁵ Chapter 708 (Laws of 2017), effective May 25, 2017, revised §14-601 and added §14-606, State Finance & Procurement Article, Annotated Code of Maryland.

⁶ State Finance & Procurement Article, §14-604, Annotated Code of Maryland. The Law was effective July 1, 2012.

⁷ Chapter 740 (Laws of 2018), effective October 1, 2018, revised §14-604, State Finance & Procurement Article, Annotated Code of Maryland.

Agriculture (MDA)	\$3,931,213	\$0	\$0	0.00%
Assessments & Taxation (SDAT)	\$274,346	\$0	\$0	0.00%
Attorney General (OAG)	\$351,463	\$0	\$0	0.00%
Baltimore City Community College	\$15,900,404	\$2,292	\$0	0.01%
Budget & Management (DBM)	\$580,324,387	\$0	\$9,599	0.00%
Department of Commerce	Non-Responsive			
College Savings Plan of MD	\$2,617,357	\$0	\$0	0.00%
Comptroller	\$20,898,766	\$0	\$0	0.00%
Education (MSDE)	\$72,090,524	\$0	\$84,621	0.12%
Environment	\$5,035,600	\$2,028	\$0	0.04%
Governor's Office/Executive Department	\$12,468,609	\$0	\$8,400	0.07%
General Services (DGS)	\$191,250,554	\$845,251	\$1,546,090	1.25%
Department of Health	\$217,523,550	\$1,010	\$5,402,307	2.48%
Higher Education Commission	Non-Responsive			
Housing & Community Development (DHCD)	\$27,611,246	\$0	\$0	0.00%
Human Services (DHS)	\$481,403,384	\$17,874	\$379,678	0.08%
Information Technology (DoIT)	\$122,372,623	\$0	\$466,540	0.38%
Juvenile Services (DJS)	\$95,605,375	\$12,500	\$0	0.01%
Labor, Licensing & Regulation (DLLR)	\$22,712,662	\$0	\$0	0.00%
Food Center authority	\$0	\$0	\$0	0.00%

MD Insurance Administration (MIA)	\$3,860,298	\$5,700	\$0	0.15%
MD Lottery	\$30,312,061	\$0	\$420,901	1.39%
MD State Police (MSP)	\$24,150,934	\$19,283	\$0	0.08%
MD Uninsured Employers Fund	Non-Responsive			
MD Veteran's Affairs (MDVA)	\$186,683,050	\$2,075	\$1,630,129	0.87%
MD Institute for Emergency Medical Services Systems	\$20,735,370	\$30,916	\$157,488	0.91%
Military/Emergency Management Agency	\$2,267,134	\$102,650	\$0	4.53%
Natural Resources (DNR)	\$33,722,074	\$1,966	\$0	0.01%
People's Counsel	\$1,515,948	\$0	\$0	0.00%
Planning (MDP)	\$1,085,050	\$0	\$0	0.00%
Public Safety and Correctional Services	\$27,012,214	\$656,653	\$0	0.02%
Public School Construction	\$0	\$0	\$0	0.00%
Public Service Commission	\$126,958	\$0	\$0	0.00%
State Board Elections	\$17,652,216	\$11,768	\$207,278	1.24%
State Prosecutor	Non-Responsive			
State Retirement (SRA)	\$37,397,763	\$30,077	\$0	0.08%
Treasurer	\$26,737,399	\$0	\$0	0.00%
Workers' Compensation Commission (WCC)	\$368,912	\$40,582	\$0	1.59%
Transportation				

<i>MD Aviation Administration (MAA)</i>	\$179,729,907	\$353,225	\$426,877	0.43%
<i>MD Transportation Authority (MDTA)</i>	\$1,397,937,250	\$7,814,322	\$11,503,701	1.38%
<i>MD Port Administration (MPA)</i>	\$39,979,488	\$0	\$0	0.00%
<i>MD Transit Administration (MTA)</i>	\$951,659,811	\$70,066	\$92,719,154	9.75%
<i>Motor Vehicle Administration (MVA)</i>	\$103,714,003	\$8,397	\$646,000	0.63%
<i>State Highway Administration (SHA)</i>	\$980,646,070	\$84,676	\$0	0.01%
<i>Transportation Secretary's Office (TSO)</i>	\$49,695,126	\$5,884	\$0	0.01%
TOTALS	\$5,990,557,442	\$10,188,850	\$115,608,763	2.10%

III. Program Effectiveness

FY 2018 marks a significant milestone in the effectiveness of the VSBE program, being the first year that the agencies' combined total participation surpassed the goal of 1%. While the higher overall participation rate emphasizes that some agencies have made great strides in increasing their participation rate year over year, many agencies still have not fully integrated veteran business goal-setting and outreach into their procurement operations resulting in numerous agencies with close to 0% participation. Agencies should be assessing opportunities for veteran business participation in each solicitation, just as they do with the Minority Business Enterprise (MBE) and Small Business Reserve (SBR) Programs.

IV. Recommendations to Continue to Improve Effectiveness

Single agency to implement the Program

The previous five years' reports recommended that a single Program oversight agency be designated to be responsible for auditing compliance, developing reporting mechanisms, training in use of the VSBE directory, and coordinating outreach activities. Effective October 1, 2018, the Governor's Office of Small, Minority, and Women Business Affairs has been designated to perform those duties which are similar to that Office's responsibilities for the Minority Business Enterprise and Small Business Reserve programs.⁸ The Governor's Office of Small, Minority,

⁸ Chapter 740 (Laws of 2018), effective October 1, 2018, revised §14-604, State Finance & Procurement Article, Annotated Code of Maryland.

and Women Business Affairs can track agency procurement activity and inform agency heads during the course of a year when their participation rates are unacceptable, so those agencies can take corrective action when it matters.

Explore strategies to increase veteran-owned small business participation

- Some veteran-owned businesses are eligible to also participate in the State’s other longstanding socioeconomic procurement programs – the Minority Business Enterprise Program and the Small Business Reserve. Agencies should encourage veteran-owned businesses to seek State certification as MBEs and small businesses when possible in order to maximize business opportunities for those firms. Under the MBE Program, agencies seek to spend 29% of contracting dollars with certified MBEs.⁹ Under the Small Business Reserve Program, procurement units must structure their procurements to ensure at least 15% of procurement dollars are expended directly with businesses certified by the State.¹⁰
- Encourage State buyers to use veteran-owned small businesses for small procurement awards that typically do not have subcontract goals.

Increase Marketing Efforts

- Each agency website should include information on the Program.
- Veteran businesses should be encouraged to register on *eMaryland Marketplace* so they are notified of all State and local procurement opportunities.
- Agencies should coordinate with the Governor’s Office of Small, Minority & Women Business Affairs to participate in outreach events.
- The Procurement Advisor will continue to emphasize the importance of the Program at meetings of the Senior Procurement Advisors Group and the Procurement Advisory Council.¹¹

V. Conclusion

As noted above, FY 2018 was a significant year in the development of the VSBE Program. Not only did combined agency participation meet the Program goal of 1%, combined agency participation was more than double the goal at 2.10%. This number is even more considerable given that FY 2017 participation, the highest on record previously, was only 0.49%.

⁹ COMAR 21.11.03.01C(1)

¹⁰ Chapter 438 (Laws of 2017), effective May 4, 2017, expanded the SBR Program and increased the SBR goal to 15%.; revised §§14-501 – 14-505, State Finance & Procurement Article, Annotated Code of Maryland,

¹¹ The Procurement Advisory Council will change to the Procurement Improvement Council effective October 1, 2019; Chapter 590 (Laws of 2017), revised §12-105, State Finance & Procurement Article, Annotated Code of Maryland,

The procurement officers at those agencies that met and exceeded the goal should be commended for their work in furthering the objectives of the program.

However, there is still work to be done in improving VSBE participation, especially at those agencies that reported close to 0% participation. To improve the veteran-owned small business participation rate, State agencies must fully integrate veteran business goal-setting into their procurement operations as they do with the Minority Business Enterprise and Small Business Reserve Programs. With the Governor's Office of Small, Minority, and Women Business Affairs now designated as the lead agency for the Program, the enforcement of accountability and best practices by that Office should go far in bridging the gap between agency performance and the State's goal of increasing State contracting opportunities for veteran-owned small businesses.