

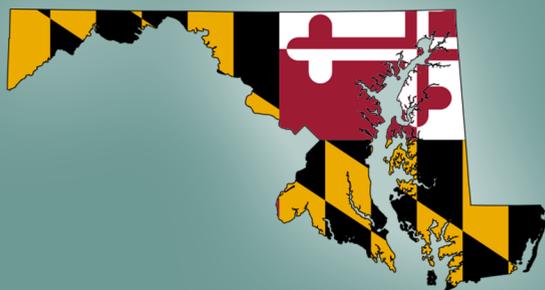
STATE OF MARYLAND

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.
80 Calvert St., Room 117
Annapolis, MD 21401

FISCAL YEAR 2020

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) 2020, 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 2020, the SBR program recorded an **increase in participation to 10.8%** from 10.6% in FY 2019, with **total payments of \$529 million** during FY 2020.

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 2020, the **percentage of agency procurement dollars** going to certified small business enterprises **increased to 10.8%**, while 10.6% was achieved in FY 2019
- Overall State SBR Program **expenditures increased** from **\$403,069,604** in FY 2019 **to \$529,257,404** in FY 2020.
- 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 2020

	SBR Participating Agency/Department	SBR Payments	Total Payments	SBR Participation
1	Agriculture	\$279,583	\$3,111,944	8.98%
2	Aging	\$128,534	\$1,245,005	10.32%
3	Archives	\$716,569	\$1,106,679	64.75%
4	Assessments & Taxation	\$341,670	\$3,972,325	8.60%
5	Attorney General's Office	\$188,644	\$667,685	28.25%
7	**Baltimore City Community College	No Data	No Data	No Data
11	**Canal Place Preservation	No Data	No Data	No Data
8	Commerce (DBED)	\$830,977	\$4,197,968	19.79%
9	Commission on Civil Rights	\$0	\$87,888	0.00%
10	Comptroller	\$5,515,876	\$42,738,484	12.91%
18	**Education	No Data	No Data	No Data
12	Environment	\$2,420,239	\$9,453,954	25.60%
13	Environmental Services	\$7,138,312	\$72,011,688	9.91%
14	Executive Department - Office of the Governor	\$236,729	\$3,139,844	7.54%
15	Food Center Authority	\$2,752,539	\$4,666,273	58.99%
16	General Services	\$50,508,111	\$513,676,413	9.83%
17	Health	\$19,844,108	\$246,939,951	8.04%
35	**Higher Education Commission	No Data	No Data	No Data
19	Housing & Community Development	\$5,246,749	\$18,667,178	28.11%
20	Human Services	\$13,027,700	\$233,022,950	5.59%
22	Insurance Administration	\$499,944	\$1,470,657	33.99%
23	Juvenile Services	\$6,232,737	\$43,540,041	14.31%
24	Labor, Licensing & Regulation	\$3,430,746	\$24,241,140	14.15%
25	Lottery & Gaming Control	\$940,526	\$68,588,451	1.37%
26	Military	\$665,258	\$7,081,571	9.39%
27	Morgan State University	\$4,669,328	\$160,329,369	2.91%
28	Natural Resources	\$2,612,284	\$32,479,041	8.04%
29	Office of People's Counsel	\$5,869	\$1,141,382	0.51%
30	Planning	\$1,471,924	\$1,812,338	81.22%
31	Prosecutors Office	\$1,367	\$339,101	0.40%
32	Public Defender	\$19,866,186	\$20,513,004	96.85%
33	Public Safety & Correctional Services, Department of	\$65,383,670	\$344,410,003	18.98%
34	Public Safety Commission	\$77,772	\$1,144,071	6.80%

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42	**Public Television	No Data	No Data	No Data
36	Retirement	\$1,225,655	\$7,719,046	15.88%
37	School for the Deaf	\$372,636	\$3,843,541	9.70%
38	Stadium Authority	\$30,797,208	\$246,093,081	12.51%
39	State Board of Elections	\$4,823,097	\$27,164,011	17.76%
40	State Police	\$8,928,204	\$41,248,423	21.64%
41	Subsequent Injury Fund	\$9,487	\$90,566	10.48%
	**Supplemental Retirement	No Data	No Data	No Data
43	Tax Court	\$0	\$18,123	0.00%
44	Transportation			
45	<i>The Secretary's Office</i>	\$8,234,922	\$52,973,974	15.55%
	<i>Maryland Aviation Administration</i>	\$14,194,236	\$166,860,262	8.51%
	<i>Maryland Transit Administration</i>	\$15,593,108	\$259,378,115	6.01%
	<i>Motor Vehicle Administration</i>	\$12,866,573	\$44,840,163	28.69%
	<i>State Highway Administration</i>	\$112,193,577	\$1,001,199,998	11.21%
	<i>Maryland Port Administration</i>	\$6,647,936	\$34,249,513	19.41%
	<i>Maryland Transportation Authority</i>	\$28,495,769	\$507,677,059	5.61%
	Treasurer's Office	\$497,631	\$8,012,217	6.21%
46	University System of Maryland			
47	<i>Bowie State University</i>	\$8,047,932	\$16,950,183	47.48%
	<i>Coppin State University</i>	\$1,156,395	\$12,415,677	9.31%
	<i>Frostburg State University</i>	\$1,854,688	\$13,403,336	13.84%
	<i>Salisbury State University</i>	\$2,615,615	\$17,328,252	15.09%
	<i>Towson University</i>	\$16,832,555	\$62,793,263	26.81%
	<i>University of Baltimore</i>	\$1,517,143	\$9,092,935	16.68%
	**University of MD, Baltimore	No Data	No Data	No Data
	<i>University of MD, Baltimore County</i>	\$2,845,745	\$57,038,850	4.99%
	<i>University of MD, College Park</i>	\$30,157,668	\$378,821,223	7.96%
	<i>University of MD, Eastern Shore</i>	\$1,147,523	\$13,705,941	8.37%
	<i>University of MD, Global Campus</i>	\$3,168,150	\$46,096,583	6.87%
48	**Veteran's Affairs	No Data	No Data	No Data
49	**Workers' Compensation Commission	No Data	No Data	No Data
	STATEWIDE TOTAL	\$529,257,404	\$4,894,810,733	10.81%

****Agency did not provide reporting information before deadline**