

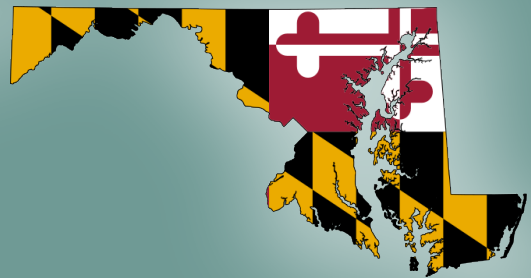
STATE OF MARYLAND

# 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 2012

# EXECUTIVE SUMMARY

The Small Business Reserve Program aims to increase participation in State procurements by small businesses. Under the Program, 23 designated State agencies must structure their procurement procedures to ensure that at least 10% of the agencies' procurement dollars are expended directly with certified small businesses at the prime contract level. Currently, 5,426 qualified small business enterprises are listed in the State directory. Of those, 517 are veteran-owned small businesses and 250 are service-disabled veteran-owned small businesses. In FY 2012, as in FY 2011, the designated State agencies spent approximately 6.1% of their budgets on small businesses.

## **I. Scope of Report**

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Every statutorily-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**

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The Small Business Reserve Program became effective October 1, 2004 and has been renewed several times since its enactment. 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 small businesses. Each designated State agencies must structure its procurement procedures to ensure that at least 10% of the agencies' procurement dollars are expended directly with small businesses at the prime contract level.

The designated State agencies are:

### ***Cabinet Departments***

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- Business and Economic Development
- Education
- Environment
- General Services
- Health and Mental Hygiene
- Housing and Community Development
- Human Resources
- Information Technology
- Juvenile Services
- Labor, Licensing, and Regulation
- Natural Resources
- Public Safety and Correctional Services
- State Police
- Transportation

### ***Other Executive Agencies***

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- Maryland Port Commission
- Maryland Transportation Authority
- State Retirement Agency
- Maryland Insurance Administration
- Maryland Stadium Authority
- State Lottery Agency
- State Treasurer

### ***Universities***

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- University System of Maryland
- Morgan State University

Other State agencies may award contracts to certified small businesses, but only the 23 designated agencies are required to restrict a solicitation to participation by certified small businesses.<sup>1</sup> 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.<sup>2</sup>

Minority business enterprises that meet the size criteria may be certified as small businesses.<sup>3</sup> Nonprofit organizations are not eligible for certification.<sup>4</sup> The law excludes procurements to preference providers such as Maryland Correctional Enterprises, Blind Industries and Services of Maryland, and Community Service Providers.<sup>5</sup>

### III. Recent Changes

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In FY 2012, the Department of General Services redesigned eMaryland Marketplace to allow vendors to simultaneously register for both the Program and eMaryland Marketplace. Registration for the Program involves the vendor answering several online questions designed to determine the vendor's eligibility for the program.<sup>6</sup> If the vendor answers the questions satisfactorily, the Department of General Services issues the vendor a small business registration number. DGS expects this change in the eMM registration process to increase the number of businesses participating in the Program.

### IV. Program Effectiveness

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Each designated procurement unit reports annually to the Board of Public Works concerning the amount of procurement dollars spent on small businesses. During fiscal years 2008 through 2011, the percentage of agency procurement dollars going to certified small business enterprises averaged 6%.<sup>7</sup> Though the average percentage remained steady at 6.1% for fiscal year 2012, State procurement expenditures going to small businesses have increased by more than **\$16 million - \$201,946,954 in FY 2011 to \$218,575,802 FY 2012.**<sup>8</sup>

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<sup>1</sup> §14-504(a) of the State Finance and Procurement Article

<sup>2</sup> COMAR 21.11.01.06

<sup>3</sup> Section 14-501(c)(1) of the State Finance and Procurement Article

<sup>4</sup> COMAR 21.11.01.01B(1)

<sup>5</sup> Section 14-502(b) of the State Finance and Procurement Article.

<sup>6</sup> In addition to reporting gross sales for prior three years, vendors are required to answer several questions including : (1) Are you a broker? (2) Is business subsidiary of another firm; (3) Is the business dominant in its field of operation?

<sup>7</sup> FY 2011 Small Business Reserve Program Report

<sup>8</sup> FY 2012 Small Business Reserve Program Report, Governor's Office of Minority Affairs and FY 2011 Agency spending reports.

Percentage of Procurement Dollars Spent on Small Business Reserve Program

AGENCY NAME	FY2012 SBR Expenditures	FY2012 Total Procurement Expenditures	FY2012 Agency SBR Percentage
Business & Economic Development	\$606,446	\$5,949,137	10.19%
Education	\$9,290,533	\$104,830,018	8.86%
Environment	\$4,577,072	\$14,515,777	31.53%
General Services	\$16,228,787	\$95,848,877	16.93%
Health & Mental Hygiene	\$14,222,454	\$452,822,746	3.14%
Housing & Community Dev't	\$1,870,897	\$8,914,608	20.99%
Human Resources	\$12,695,423	\$544,357,770	2.33%
Information Technology	\$7,323,143	\$83,678,023	8.75%
Insurance Administration	\$114,253	\$1,556,224	7.34%
Juvenile Services	\$3,883,271	\$109,888,015	3.53%
Labor, Licensing & Regulation	\$2,728,753	\$34,013,737	8.02%
Lottery	\$3,195,634	\$109,784,937	2.91%
Morgan State University	\$2,811,666	\$28,040,647	10.03%
Natural Resources	\$4,158,479	\$36,620,745	11.36%
Public Safety & Correctional Services	\$11,671,347	\$276,468,089	4.22%
Retirement	\$296,021	\$10,147,174	2.92%
Stadium Authority	\$3,123,799	\$12,352,699	25.29%
State Police	\$4,636,459	\$35,862,132	12.93%
Transportation : (Includes Secretary's Office, MD Aviation Adm., MD Transit Adm., Motor Vehicle Adm. and State Highway Adm.) MD Port Commission MD Transportation Authority	\$66,746,046*	\$902,779,078*	7.39%*
Treasurer's Office	\$37,462	\$3,012,853	1.24%
University System of Maryland	\$48,357,857	\$683,631,090	7.07%
Bowie State University	\$1,769,756	\$15,615,987	11.33%
Coppin State University	\$1,329,310	\$18,857,403	7.05%
Frostburg State University	\$2,796,665	\$13,737,298	20.36
Salisbury State University	\$2,432,845	\$14,333,189	16.97%
Towson University	\$3,904,930	\$62,107,758	6.29%
University of Baltimore	\$860,593	\$12,307,316	6.99%
University of MD, Baltimore	\$4,679,542	\$144,237,177	3.24%
University of MD, Baltimore County	\$2,321,723	\$17,962,261	12.93%
University of MD, College Park	\$24,471,126	\$300,232,697	8.15%
University of MD, Eastern Shore	\$1,648,010	\$13,940,708	11.82%
University of MD, University College	\$2,143,357	\$70,299,296	3.05%
<b>STATEWIDE TOTAL</b>	<b>\$218,575,802</b>	<b>\$3,555,074,376</b>	<b>6.15%</b>

\*The total for the Maryland Department of Transportation includes the entire agency even though the law designates them as three separate SBR units.

## **V. Agency Recommendations for Program Improvement**

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State agencies that participate in the Program are working hard to meet and exceed the 10% goal. Some of the methods proposed by agencies to attract more small businesses to the Program include:

- Increased use by corporate purchasing card users
  - *A bulk of agency purchases are done by p-card holders with limited knowledge of the Program*
- Increased outreach to the small business and MBE community
  - *Many small businesses are unaware that the Program exists or forget to annually renew*
- Separate SBR registration from eMM registration
  - *Some vendors have reported that the combined registration process is too lengthy*