

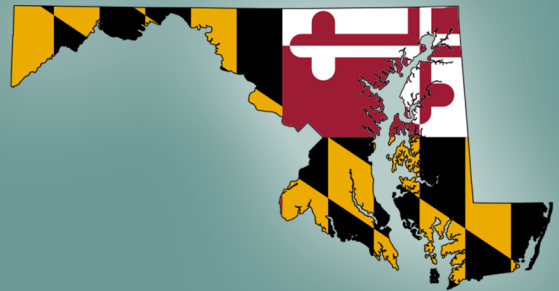
STATE OF MARYLAND

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 2017

MARYLAND
BOARD OF PUBLIC WORKS

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Executive Secretary

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August 15, 2018

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

Dear Mr. President and Mr. Speaker:

As required by State Finance and Procurement Article, §14-505, the Board of Public Works is submitting the FY'17 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. Currently, 6,360 vendors are registered as small business enterprises in *eMaryland Marketplace*. Under this Program in Fiscal Year (FY) 2017, 23 designated State agencies were required to structure their procurement procedures to achieve at least 10% of the procurement unit's dollars expended directly with certified small businesses at the prime contract level. For FY 2017, the SBR program recorded an increase in participation from 7.7 percent participation in FY 2016 to 9.4 percent participation, with total payments of \$389.7 million dollars during FY 2017.

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. In FY 2017, each designated State agency was required to structure its procurement procedures to ensure that at least 10% of its procurement dollars were expended directly with certified small businesses at the prime contract level.

The designated State agencies for FY 2017 were:

Cabinet Departments

- Commerce
- Education
- Environment
- General Services
- Health
- Housing & Community Development
- Human Services
- Information Technology
- Juvenile Services
- Labor, Licensing, & Regulation
- Natural Resources
- Public Safety & Correctional Services
- State Police
- Transportation

Non-Cabinet Agencies

- Maryland Port Commission
- Maryland Transportation Authority
- State Retirement
- Maryland Insurance Admin.
- Maryland Stadium Authority
- State Lottery & Gaming Control
- State Treasurer's Office

Universities

- University System of Maryland
- Morgan State University

Other State agencies may award contracts to certified small businesses, but only the 23 designated agencies were eligible 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

Effective October 1, 2017, the Small Business Reserve Program has been 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 include:

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

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>

IV. PROGRAM EFFECTIVENESS

- Program enrollment increased by 21 percent, rising from 4,923 registered vendors in FY2016 to **5,971 registered vendors** in FY 2017⁸.
- The percentage of agency procurement dollars going to certified small business enterprises under the Program increased to **9.36%** in FY 2017, while 7.70% was achieved in FY 2016.
- State small business expenditures under the Program increased by approximately **\$88 million**, from **\$301,751,929** in FY 2016 to **\$389,672,898** in FY 2017.

⁸ Governor's Office of Small , Minority & Women Business Affairs Annual Report FY2017:
http://goma.maryland.gov/Reports/FY2017_AnnualReport_GOSBA.pdf

Percentage of Procurement Dollars Spent on Small Business Reserve Program – Fiscal Year 2017

	SBR Participating Agency/Department	SBR Payments	Total Payments	SBR Participation
1	Commerce	\$2,015,095	\$5,258,598	38.32%
2	Education	\$5,789,271	\$61,854,499	9.36%
3	Environment	\$1,148,328	\$4,316,783	26.60%
4	General Services	\$27,348,821	\$111,128,773	24.61%
5	Health	\$23,387,993	\$296,904,301	7.88%
6	Housing & Community Development	\$4,528,519	\$23,821,920	19.01%
7	Human Service	\$8,555,982	\$146,325,633	5.85%
8	Information Technology	\$10,890,637	\$62,113,424	17.53%
9	Insurance Administration	\$698,981	\$900,891	77.59%
10	Juvenile Services	\$5,292,756	\$71,589,852	7.39%
11	Labor, Licensing & Regulation	\$3,030,831	\$29,633,011	10.23%
12	Lottery	\$1,047,166	\$75,994,584	1.38%
13	Morgan State University	\$2,912,976	\$62,660,511	4.65%
14	Natural Resources	\$3,322,118	\$35,490,986	9.36%
15	Public Safety & Correctional Services	\$60,059,877	\$288,038,175	20.85%
16	Retirement	\$403,805	\$3,262,405	12.38%
17	Stadium Authority	\$15,937,404	\$138,444,030	11.51%
18	State Police	\$7,556,171	\$36,595,562	20.65%
19	Transportation (Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)	\$79,925,041	\$1,458,897,963	5.48%
20	Maryland Port Commission	\$3,695,427	\$43,683,306	8.46%
21	Maryland Transportation Authority	\$12,705,565	\$287,472,041	4.42%
22	Treasurer's Office	\$254,627	\$3,473,868	7.33%
23	University System of Maryland			
	Bowie State University	\$6,193,753	\$13,732,678	45.10%
	Coppin State University	\$806,604	\$11,059,656	7.29%
	Frostburg State University	\$821,317	\$7,738,276	10.61%
	Salisbury State University	\$2,679,993	\$17,708,797	15.13%
	Towson University	\$9,126,286	\$61,428,136	14.86%
	University of Baltimore	\$1,989,060	\$11,002,965	18.08%
	University of MD, Baltimore	\$17,197,448	\$202,525,200	8.49%
	University of MD, Baltimore County	\$5,993,519	\$83,119,471	7.21%
	University of MD, College Park	\$36,986,087	\$398,986,087	9.27%
	University of MD, Eastern Shore	\$1,090,596	\$16,719,058	6.52%
	University of MD, University College	\$26,280,844	\$90,981,665	28.89%
	STATEWIDE TOTAL	\$389,672,898	\$4,162,863,105	9.36%