

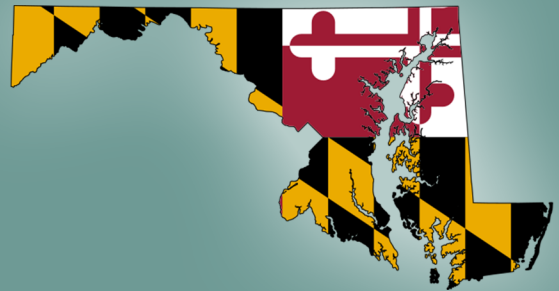
state of maryland

# 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 2018

MARYLAND  
BOARD OF PUBLIC WORKS

Governor    Treasurer    Comptroller

**Sheila McDonald, Esq.**  
*Executive Secretary*

**Gabriel Gnall, Esq.**  
*Procurement Advisor*

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*Wetlands Administrator*

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'18 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) 2018, 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 2018, the SBR program recorded an **increase in participation to 10.2%** from 9.4% in FY 2017, with **total payments of \$408.9 million** during FY 2018.

## I. SCOPE OF REPORT

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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

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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.<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 services providers and individual with disability owned businesses under the Employment Works Program.<sup>5</sup>

## III. RECENT CHANGES

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

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

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

<sup>7</sup> <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**

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- In FY 2018, the **percentage of agency procurement dollars** going to certified small business enterprises **increased to 10.2%**, while 9.4% was achieved in FY 2017.
- Overall State SBR Program **expenditures increased** from \$389,672,898 in FY 2017 **to \$408,853,970** 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 2018

	SBR Participating Agency/Department	SBR Payments	Total Payments	SBR Participation
1	Aging	\$44,752.00	\$565,878.00	7.9%
2	Agriculture	\$482,893.00	\$2,824,115.00	17.1%
3	Archives	\$326,258.00	\$959,107.00	34.0%
4	Assessment & Taxation	\$45,103.00	\$1,786,539.00	2.5%
5	Baltimore City Community College	\$422,465.00	\$5,253,161.00	8.0%
6	Board of Elections	\$2,563,614.00	\$16,026,155.00	16.0%
7	Budget and Management	\$870,079.00	\$226,491,156.00	0.4%
8	Commerce	\$242,445.00	\$3,332,045.00	7.3%
9	Commission on Civil Rights	\$570.00	\$117,696.00	0.5%
10	Comptroller of Maryland	\$2,748,428.00	\$15,305,560.00	18.0%
11	Education	\$7,832,877.00	\$63,836,695.00	12.3%
12	Environment	\$1,124,335.00	\$5,756,351.00	19.5%
13	Environmental Service	\$5,322,744.00	\$50,025,864.00	10.6%
14	Food Center Authority	\$1,024,916.00	\$3,127,205.00	32.8%
15	General Services	\$24,309,602.00	\$127,220,420.00	19.1%
16	Health	\$21,843,974.00	\$261,166,145.00	8.4%
17	Housing & Community Development	\$6,428,837.00	\$18,449,384.00	34.8%
18	Human Service	\$9,862,419.00	\$152,868,270.00	6.5%
19	Information Technology	\$9,139,021.00	\$71,917,570.00	12.7%
20	Insurance Administration	\$297,070.00	\$1,440,911.00	20.6%
21	Juvenile Services	\$3,547,919.00	\$32,978,149.00	10.8%
22	Labor, Licensing & Regulation	\$3,422,977.00	\$30,398,001.00	11.3%
23	Lottery	\$859,241.00	\$65,401,192.00	1.3%
24	Military	\$299,269.00	\$2,496,989.00	12.0%
25	Morgan State University	\$2,304,266.00	\$33,721,010.00	6.8%
26	Natural Resources	\$2,186,966.00	\$30,554,837.00	7.2%
27	Office of the Attorney General	\$73,022.00	\$215,788.00	33.8%
28	Office of the Governor/Executive Dept	\$901,387.00	\$9,282,800.00	9.7%
29	Planning	\$21,597.00	\$888,277.00	2.4%
30	Public Defender	\$11,220,111.00	\$11,554,800.00	97.1%
31	Public Safety & Correctional Services	\$37,175,454.00	\$45,228,065.00	82.2%
32	Public Service Commission	\$87,972.00	\$706,322.00	12.5%
33	Retirement	\$631,723.00	\$4,457,478.00	14.2%
34	School of the Deaf	\$255,616.00	\$2,508,600.00	10.2%

Small Business Reserve Program Report FY 2018

35	Stadium Authority	\$21,957,814.00	\$231,255,979.00	9.5%
36	State Police	\$10,515,926.00	\$40,635,178.00	25.9%
37	Tax Court	\$0.00	\$19,852.00	0.0%
38	<b>Transportation</b> (Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)	\$106,554,851.00	\$1,339,141,441.00	8.0%
39	<i>Maryland Port Administration</i>	\$6,321,733.00	\$38,771,901.00	16.3%
40	<i>Maryland Transportation Authority</i>	\$19,552,257.00	\$370,448,574.00	5.3%
41	Treasurer's Office	\$373,202.00	\$4,082,807.00	9.1%
42	<b>University System of Maryland</b>			
	<i>Bowie State University</i>	\$1,650,037.00	\$8,749,711.00	18.9%
	<i>Coppin State University</i>	\$916,373.00	\$14,045,862.00	6.5%
	<i>Frostburg State University</i>	\$1,515,451.00	\$8,252,647.00	18.4%
	<i>Salisbury State University</i>	\$4,643,532.00	\$18,225,032.00	25.5%
	<i>Towson University</i>	\$13,121,308.00	\$62,923,444.00	20.9%
	<i>University of Baltimore</i>	\$3,787,024.04	\$17,910,600.80	21.1%
	<i>University of MD, Baltimore</i>	\$14,047,272.00	\$168,963,321.00	8.3%
	<i>University of MD, Baltimore County</i>	\$5,420,448.00	\$94,378,245.00	5.7%
	<i>University of MD, College Park</i>	\$18,323,559.00	\$182,627,734.00	10.0%
	<i>University of MD, Eastern Shore</i>	\$1,549,198.00	\$14,226,735.00	10.9%
	<i>University of MD, University College</i>	\$19,647,475.00	\$88,800,544.00	22.1%
43	Workers Compensation	\$1,036,588.00	\$1,091,767.00	94.9%
	<b>STATEWIDE TOTAL</b>	<b>\$408,853,970.04</b>	<b>\$4,003,413,909.80</b>	<b>10.2%</b>