

FY 2009 SMALL BUSINESS RESERVE (SBR) PROGRAM ANNUAL REPORT

(July 1, 2008 to June 30, 2009)



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Special Secretary

Message from the Special Secretary:

Maryland is home to over 450,000 small, women, and minority-owned firms who collectively represent one of the largest talent pools of its kind in the country. Increasing inclusion opportunities is a major priority for the O'Malley-Brown Administration, and Maryland's small and minority firms are ready, able, and willing to participate in all forms of state contracting and procurement activity.

I am pleased to provide the results of the Small Business Reserve (SBR) Program for Fiscal Year 2009. This report shows that Maryland continues to make "*steady progress*" in the overall volume of contract payments going to participating small businesses. Since the inception of the program in FY 2005, dollars paid to SBR firms have risen from \$49 million, to \$147 million in FY 2009.

The supporting theme of "*work in progress*" speaks to various challenges that exist with regard to operational aspects of the program. These challenges are critical to the program's ongoing success for the 22 participating State agencies that play a significant role in creating gateways of opportunity for small businesses, all of whom participate as direct, prime contractors on important state contracts.

And finally, the theme of *future progress*; marks the beginning of a planning effort for the continuation of the Small Business Reserve Program which was initially developed as a pilot program with a September 2007 sunset date. The Governor's Office of Minority Affairs, in partnership with the Maryland Board of Public Works, the Maryland Department of General Services, and a committee of private sector industry and business representatives, charted a course to evaluate the SBR program and prepare for legislative action to extend the SBR program for future years.

We will continue to strengthen our commitment to their success through initiatives like the SBR program which promote inclusion efforts that will enhance our vision of *One Maryland*, where all citizens have an equal opportunity to share in the State's prosperity.

Sincerely,

Luwanda Jenkins
Special Secretary

SMALL BUSINESS RESERVE PROGRAM (SBR)

Fiscal Year 2009 Report

Background

The State of Maryland has developed a race-neutral program that provides greater access and opportunity for small and minority firms to do business with the State. The objective of the Small Business Reserve (SBR) Program, which targets self-registered small businesses, is consistent with the State's overarching goal to continue to support the viability of small businesses. The SBR Program in State Procurement Law requires that at least 10 percent of the total fiscal year procurement expenditures of the 22 SBR agencies be made available to small businesses at the prime contract level. — Sections 14-501 – 14-505, State Finance and Procurement Article, Maryland Code Chapter 75, Laws of 2004.

The Governor's Office of Minority Affairs (GOMA) found that the competitive process associated with the SBR Program could be improved by raising the eligibility thresholds for small businesses, allowing more companies to become eligible to bid on State procurements designated as small business reserve procurements. During the 2008 Maryland General Assembly session GOMA, in conjunction with a broad and diverse segment of Maryland's small business community, offered legislation which passed and was signed into law modifying the average gross sales requirements and number of employees a small business could have to participate in the SBR program. The legislation also added two additional state departments to the agencies named in the original small business legislation.

Program History

The SBR Program went into effect on October 1, 2004. The Board of Public Works (BPW) promulgated SBR Program regulations that provided procedural and administrative guidance to the 22 SBR agencies. The enabling legislation called for the SBR Program to sunset on September 30, 2007. Legislation passed during the 2007 legislative session extended the SBR Program through September, 2010.

Since October, 2004, two additional state agencies have been added to the SBR program (Information Technology and MD Transportation Authority) and one deleted (Budget and Management) for a total of 23 agencies that must comply with the program requirements. Small businesses who meet the SBR business size criteria as defined under law must self-register for the program through the Department of General Services (DGS). Once registered, firms must renew yearly and must notify DGS immediately when there is any change in the firm's size/structure/ownership status.

A. SBR Vendor Registration

The initial SBR legislation required DGS to develop and maintain a SBR database and to manage all functions related to SBR Program vendor registration. DGS is also responsible for ensuring that all self-registering vendors are legitimately qualified to participate in the program.

As part of the quality control process, DGS must verify a specific vendor's eligibility to participate in the SBR Program upon request from an agency procurement official, or when sources from the private/business community provide sufficient credible information to DGS to trigger an investigation.

During the summer of 2004, DGS utilized the services of a private contractor to create the SBR database. The database is currently managed by DGS's Office of Procurement and Logistics. Small businesses needing assistance with the registration process have access to a SBR Help Desk via a toll-free phone line during regular business hours.

B. SBR Program Implementation

The Governor's Office of Minority Affairs (GOMA) was given responsibility for overseeing the implementation of the SBRP in April, 2006. GOMA's focus since then has been two-fold: 1) provide agencies with the training, information and technical assistance necessary to successfully implement the program, and 2) monitor agencies' procurement activity to ensure that the SBR Program is utilized to the fullest extent possible and all SBR reporting requirements are met.

A SBR Agency Workgroup was formed by GOMA in April, 2006 to provide a forum for the SBR agencies to work through some of the program start-up challenges and to develop and exchange best practices. In order to meet the 10 percent SBR target, a sufficient number of procurements must be set aside, i.e., designated for SBR award only, so that payments to SBR contractors during the fiscal year are at a level that meets or exceeds the 10 percent requirement.

It should be noted that: 1) the SBR law does not require a small business to be registered for the program at the time of bid/proposal submission; registration may occur any time prior to final contract award, and, 2) the implementation regulations promulgated by the BPW allow agencies to count incidental SBR expenditures towards the 10 percent SBR target amount.

"Incidental SBR expenditures" refer to contract payments made to SBR vendors where the initial procurement/purchase was not designated for SBR participation, however, a small business was able to successfully compete for and win the contract. Payments made to SBR vendors where the initial procurement/purchase was identified as SBR up front as part of the written bid documents are referred to as "designated SBR expenditures".

Under legislation passed during the 2006 legislative session, SBR agencies are required each year to develop a SBR strategic plan which is the equivalent of a procurement forecast that identifies:

- 1) all procurements the agency plans to execute in the upcoming fiscal year;
- 2) the subset of all procurements that will be designated for SBR participation;
- 3) the projected total procurement expenditures for the upcoming fiscal year;
- 4) the projected SBR target amount (10 percent of projected total expenditures), and,
- 5) the methodology the agency will use during the FY to monitor SBR achievement.

The agency SBR strategic plans must be submitted to GOMA within 60 days of final approval of the state budget by the legislature. Agencies are also required to submit an annual SBR report that summarizes the agency's actual SBR activity over the previous fiscal year. The annual report is due to GOMA not later than September 30th each year.

C. Small Business Reserve Program

Since FY 2007, total aggregate SBR payments made by 22 agencies continue to expand, with \$147.7 million paid to SBR firms in FY 2009 compared to \$131.6 million in FY 2008 and \$121.9 million in FY 2007. The average percentage of SBR payments made by all agencies in FY 2009 was 5.6 percent, slightly lower than the 6.2 percent reported in FY 2008. Exhibits 1 and 2 provide relevant statistical detail.

Exhibit 1: Total SBR payments by agencies for FY 2009

AGENCY NAME	Total FY 2009 Procurement Expenditures	SBR GRAND TOTAL	FY 2009 Agency SBR %
Bowie State University	\$16,337,912	\$1,547,534	9.5%
Budget & Management	DBM no longer a SBR reporting agency		
Business & Economic Development	\$7,798,840	\$1,138,019	14.6%
Coppin State University	\$10,858,466	\$1,210,715	11.2%
Education	\$94,611,555	\$3,750,487	4.0%
Environment	\$27,265,180	\$1,256,535	4.6%
Frostburg State University	\$17,462,964	\$1,302,521	7.5%
General Services	\$108,085,321	\$13,384,281	12.4%
Health & Mental Hygiene	\$177,915,059	\$7,305,763	4.1%
Housing & Community Development	\$5,391,848	\$524,535	9.7%
Human Resources	\$123,953,015	\$3,996,561	3.2%
Information Technology	\$14,499,480	\$2,273,759	15.7%
Insurance Administration	\$3,210,833	\$176,941	5.5%
Juvenile Services	\$89,125,603	\$1,918,270	2.2%
Labor, Licensing & Regulation	\$9,994,203	\$1,319,927	13.2%
Lottery	\$48,119,540	\$124,443	0.3%
Morgan State University	\$19,499,181	\$2,083,222	10.7%
Natural Resources	\$31,815,352	\$3,700,002	11.6%
Port Administration	MPA data included with Transportation		
Public Safety & Correctional Services	\$271,661,744	\$12,279,178	4.5%

AGENCY NAME	Total FY 2009 Procurement Expenditures	SBR GRAND TOTAL	FY 2009 Agency SBR %
Retirement	\$7,288,034	\$459,889	6.3%
Salisbury State University	\$14,214,719	\$1,847,997	13.0%
Stadium Authority	\$9,747,319	\$1,153,643	11.8%
State Police	\$24,556,499	\$1,714,196	7.0%
Towson University	\$29,415,324	\$1,757,696	6.0%
Transportation	\$800,665,944	\$51,001,075	6.4%
Treasurer's Office	\$1,289,556	\$142,674	11.1%
University of Baltimore	\$13,817,562	\$781,113	5.7%
University of MD, Baltimore	\$291,834,865	\$3,114,893	1.1%
University of MD, Baltimore County	\$44,333,855	\$1,125,543	2.5%
University of MD, College Park	\$301,902,830	\$21,180,964	7.0%
University of MD, Eastern Shore	\$7,636,487	\$894,208	11.7%
University of MD, University College	\$28,818,453	\$3,148,406	10.9%
TOTAL	\$2,653,128,543	\$147,614,990	5.6%

Source: GOMA

**Exhibit 2: Percentage of SBR expenditures reported by 22 participating agencies
(FY 2008–FY 2009)**

AGENCY NAME	FY 2008 Agency SBR (%)	FY 2009 Agency SBR (%)
Bowie State University	7.9	9.5
Budget & Management	9.4	N/A
Business & Economic Development	8.0	14.6
Coppin State University	11.9	11.1
Education	3.4	4.0
Environment	4.3	4.6
Frostburg State University	3.4	7.5
General Services	7.8	12.4
Health & Mental Hygiene	4.6	4.1
Housing & Community Development	11.1	9.7
Human Resources	3.2	3.2
Insurance Administration	6.1	5.5
Juvenile Services	1.1	2.1

AGENCY NAME	FY 2008 Agency SBR (%)	FY 2009 Agency SBR (%)
Labor, Licensing & Regulation	5.2	13.2
Lottery	0.8	0.2
Morgan State University	11.1	10.7
Natural Resources	8.9	11.6
Port	4.0	N/A
Public Safety & Correctional Services	6.0	4.5
Retirement	6.2	6.3
Salisbury State University	7.0	13.0
Stadium Authority	10.0	11.8
State Police	9.5	7.0
Towson University	7.0	6.0
Transportation	7.8	6.3
Treasurer's Office	20.8	11.1
University of Baltimore	4.9	5.7
University of MD, Baltimore	1.3	1.1
University of MD, Baltimore County	1.3	2.5
University of MD, College Park	10.2	7.0
University of MD, Eastern Shore	7.7	11.7
University of MD, University College	6.3	10.9
TOTAL	5.9	5.6

Source: SBR Annual Report