



**Maryland Department of Transportation**  
The Secretary's Office

**Martin O'Malley**  
Governor

**Anthony G. Brown**  
Lt. Governor

**Darrell B. Mobley**  
Acting Secretary

**Leif A. Dormsjo**  
Acting Deputy Secretary

September 21, 2012

The Honorable Thomas V. "Mike" Miller, Jr.  
President of the Senate and  
Chairman, Legislative Policy Committee  
State House  
Annapolis MD 21401-1991

The Honorable Michael E. Busch  
Speaker of the House and  
Chairman, Legislative Policy Committee  
State House  
Annapolis MD 21401-1991

Dear Chairmen Miller and Busch:

Attached is a report concerning the *Maryland Department of Transportation's Operation and Effectiveness of the Small Business Preference Program (July 1, 2011 through June 30, 2012)*. This report is in response to language set forth in the State Finance and Procurement Article §14-208 and COMAR 21.13.01.03A, which directs:

*"The Secretary of General Services and the Secretary of Transportation shall prepare and submit a written report annually within 90 days following the close of the fiscal year to the Board, and subject to the State Government Article, § 2-1245, Annotated Code of Maryland, to the Legislative Policy Committee, about the operation and effectiveness of the small business preference program."*

If you have any questions or concerns, please do not hesitate to contact Mr. Thomas Hickey, Director of the Office of Procurement at (410) 865-1121 or [thickey@mdot.state.md.us](mailto:thickey@mdot.state.md.us). Of course, you should always feel free to contact me directly.

Sincerely,

Darrell B. Mobley  
Acting Secretary

Attachment

cc: Members of the Legislative Policy Committee  
Mr. Thomas Hickey, Director, Office of Procurement, Maryland Department  
of Transportation

**Report to the Legislative Policy Committee  
& Maryland Board of Public Works**

**regarding**

**The Maryland Department of Transportation's  
Operation and Effectiveness of  
Small Business Preference Program  
July 1, 2011 through June 30, 2012  
(COMAR 21.13.01.03A)**

**September 2012**

**Maryland Department of Transportation**

**The Maryland Department of Transportation's  
Operation and Effectiveness of  
Small Business Preference Program  
July 1, 2011 through June 30, 2012  
(COMAR 21.13.01.03A)**

This report was prepared by the Maryland Department of Transportation in response to language set forth in State Finance and Procurement Article §14-208 and COMAR 21.13.01.03A that directs:

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Maryland Transportation Authority & The Secretary's Office, Maryland  
Department of Transportation Headquarters

No Small Business Preference (SBP) procurements were designated by the Maryland Transportation Authority (MDTA) and the Secretary's Office (TSO) in Fiscal 2012. MDTA and TSO will make every effort to evaluate all procurements for designation in Fiscal 2013.

The MDTA and TSO will continue to attend and participate in outreach events with Small-, Women-, and Minority-owned businesses, and explain how to do business with the Maryland Department of Transportation. During Fiscal 2012, TSO participated in four outreach events.

Maryland Transit Administration

No Small Business Preference (SBP) procurements were designated by the Maryland Transit Administration (MTA) in Fiscal 2012.

The MTA incorporates solicitation language as it pertains to the 5% SBP in all bid forms for commodities, equipment and other goods and services issued by the Purchasing Section of the Office of Procurement. MTA applies the preference when appropriate as part of the bid evaluation process. However, application of the SBP has not been the deciding factor in an award during Fiscal 2012. While the exact reasons for this are unknown, it is likely that the current economic climate, which poses considerable challenges for businesses of all sizes, is putting pressure on bidders to offer the most competitive prices possible.

The MTA continues to make progress in awarding contracts to small businesses through the Small Business Reserve (SBR) program. For Fiscal 2012, the amount of procurement spending on which MTA's 10% SBR goal was calculated was \$177,516,368. Of that amount \$9,558,605 was paid to certified SBR firms. The amount paid to SBR firms comprises 5.91% of Agency procurement expenditures.

The MTA Procurement's Purchasing Section has had considerable success in placing a number of Purchase Orders (POs) via SBR solicitation. In Fiscal 2012, Purchasing designated 163 POs (with a total contract value of \$1,682,179) and 28 Blanket Purchase Orders (BPOs) with a total contract value of \$1,074,500 as SBR procurements. Purchasing continues to be the most promising area for growth in MTA SBR payments.

### Maryland Aviation Administration

The Maryland Aviation Administration (MAA) includes SBP language in Maintenance and Construction procurements. The inclusion of this language resulted in three (3) awards to Small Businesses in Fiscal 2012. MAA will make every effort to continue to procure SBP contracts in the upcoming year.

The MAA will continue to attend and participate in outreach events with Small-, Women-, and Minority-owned businesses to explain how to do business with MAA.

### Maryland Port Administration

Due to the nature of the business of the Maryland Port Administration (MPA), only one source exists for a significant number of MPA contracts. For example, MPA procures replacement parts and service for proprietary equipment such as cargo cranes. MPA also places advertising in publications selected by the MPA Communications Office to target selected audiences at selected times or for selected events, such as publications aimed at the cruise and maritime cargo industries. Restrictive and sole source needs limit MPA's ability to increase its Small Business Reserve (SBR) and Small Business Enterprise (SBE) awards and payment percentages.

The MPA also issues awards and makes payment under a significant number of contracts issued under master contracts procured by the Departments of General Services, Budget and Management, Information Technology, and Transportation, and by the State Treasurer's Office. The use of those contracts procured by other agencies also limits MPA's ability to increase its SBE percentages.

The MPA issued no SBP procurements in Fiscal 2012. The probability of awarding to an SBE is greater if non-SBEs are prohibited from receiving the award (i.e., under a Reserve) than if non-SBEs could receive the award by underbidding SBEs by more than 5% (under a Preference). Therefore, MPA's procurement offices believe that if Small Business Enterprises exist as potential sources so as to warrant designation of a procurement as either a Reserve or a

Preference, as a general rule the procurement should be designated a Reserve rather than a Preference, and all of MPA's Fiscal 2012 procurements favoring Small Business Enterprises were designated Reserves. In addition, the SBP is only available for the procurement of supplies, services, and construction-related services.

Although the Agency's procurement requirements present challenges to implementing this program, MPA will continue to evaluate each procurement to determine whether an SBP is feasible.

### Motor Vehicle Administration

In Fiscal 2012; MVA solicited 20 procurements with an SBP. Of the twenty, four were awarded to a certified Small Business, two were awarded to Minority Business Enterprise (MBE) firms and four have yet to be awarded.

The MVA took several measures to ensure that the Administration designated a portion of their procurements using the SBP Program. The MBE office, in cooperation with Procurement Office, reviewed upcoming solicitations to determine if they were eligible to be procured (a) by one of the preferred providers, (b) via a Department of General Services (DGS) statewide contract or (c) under the Small Business Reserve (SBR) program. If these solicitations didn't meet the above criteria, the MBE office reviewed the scope of work to determine if there was an opportunity to solicit them under the SBP program.

The MVA used the factors below to determine if procurement should be designated as a SBP:

- The location of Work to be performed – MVA provides statewide services and some of our branches are in areas where there were no certified Department of General Services SBR firms. However, there may be a small business in the area that may qualify under the SBR program if they applied. Using this factor MVA designated four Snow Removal Contracts during Fiscal 2012 as a preference.
- The number of pre-qualified certified SBRs or MBEs on the Department of Information & Technology (DoIT) master contract list – If there are three or less SBR firms MVA will designate the solicitation as a SBP. The reasoning being that some of the MBEs on the list may qualify as an SBR as long as the contract completes the self certification prior to award.
- For each solicitation designated under the program, the procurement officer ensures that the required language is incorporated into the solicitation prior to advertisement. A copy of the solicitation notice is emailed to firms in the SBR and Maryland Department of Transportation's (MDOT) Minority Business Enterprise (MBE) Directory for that particular service or commodity.

The MBE and Procurement offices attended nine outreach events to meet with small- and minority-owned businesses throughout the fiscal year to educate them on how to do business with the State and inform them of upcoming MVA opportunities.

The MVA will continue aggressive outreach efforts to maximize every opportunity to allow small businesses, veteran- and minority-owned businesses the opportunity to compete on procurements that have been designated for the SBP program.

### State Highway Administration

The State Highway Administration (SHA) incorporates solicitation language as it pertains to the 5%-8% SBP in invitation for bids issued throughout the State at the major Headquarter and Hanover complexes, and at the Administration's seven District Offices and/or twenty-eight Maintenance Facilities. SHA applies the preference when appropriate as part of the bid evaluation process. In Fiscal 2012, SHA solicited twenty-eight bids totaling \$685,517 using the SBP.

While this amount is respectable, SHA has been much more successful in awarding contracts to small businesses through the Small Business Reserve (SBR) program. In Fiscal 2012 SHA designated 104 contracts for the SBR program. The Fiscal 2012 amount of eligible SHA State funded procurements on which the 10% SBR goal was calculated was \$259,224,339. Of that amount \$33,561,560 was paid to certified SBR firms. This amount paid to SBR firms represents 17.40% of SHA's eligible State procurement expenditures. Payments are classified in the following categories:

- \$1,112,588 to SBR contractors through SHA's Corporate Purchasing Card (CPC) program
- \$5,644,001 to SBR contractors under designated SBR procurements
- \$26,804,971 to SBR contractors under procurements not specifically designated as SBR.

The SHA Office of Maintenance, District Offices and Maintenance Facilities will continue to designate many of their State funded operational and maintenance procurements for activities such as mowing, HVAC repair, towing, landscape maintenance, etc. for SBP and SBR.