



State of Maryland
Board of Public Works

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Robert L. Ehrlich, Jr.
Governor

William Donald Schaefer
Comptroller

Nancy K. Kopp
Treasurer

Sheila C. McDonald
Executive Secretary

November 21, 2003

Karl S. Aro, Executive Director
Department of Legislative Services
Legislative Services Building
90 State Circle, Room 311
Annapolis, Maryland 21401

Pursuant to:
State Finance & Procurement § 14-208(b)

Dear Mr. Aro:

Pursuant to the requirements of §14-208 State Finance and Procurement Article, Annotated Code of Maryland, I am forwarding five copies of a report entitled "Report to the Board of Public Works and the Legislative Policy Committee on the Small Business Preference Program." This report details the activities of the Department of General Services during the period of July 1, 2002 through June 30, 2003 concerning the operation and effectiveness of the Small Business Preference Program. The Department of General Service's report was submitted in a timely manner. The Maryland Department of Transportation is still experiencing delays in the implementation of this program. A report has not been received from them.

State Finance and Procurement Article, Section 14-208, requires the Secretaries of General Services and Transportation and the Chancellor of the University System of Maryland to submit reports to the Board of Public Works. The Board submits a consolidated report to the Legislative Policy Committee. Chapter 515, Acts of 1999 (Higher Education, University System of Maryland – Coordination, Governance and Funding) exempted the University System of Maryland from Division II of the State Finance and Procurement Article. In accordance with this act, the University System no longer submits a report.

If you have any questions, please call me on 410.260.7718.

Sincerely,

Warren K. Wright
Procurement Advisor

cc: The Honorable Robert L. Ehrlich, Jr.
The Honorable William Donald Schaefer
The Honorable Nancy K. Kopp
The Honorable Sheila McDonald

The Honorable Boyd Rutherford
The Honorable Robert Flanagan
Lynn Porter, Legislative Policy Committee
(40 copies)

Robert L. Ehrlich, Jr.
Governor

Michael S. Steele
Lt. Governor



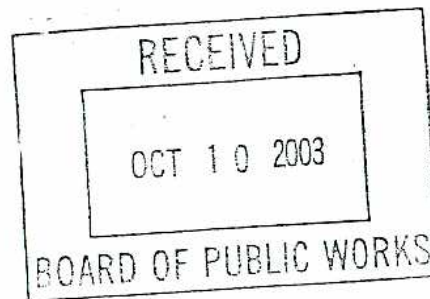
Boyd K. Rutherford
Secretary

Steve Cassard
Deputy Secretary

MARYLAND DEPARTMENT OF GENERAL SERVICES
OFFICE OF THE SECRETARY

October 9, 2003

Ms. Sheila C. McDonald
Secretary
Board of Public Works
Room 405 - Treasury Building
Annapolis, Maryland 21404



Dear Ms. McDonald:

Re: Small Business Preference Program

Enclosed with this letter is the Small Business Preference Program Report for Fiscal Year 2003. The report is being presented in accordance with State Finance and Procurement Article, Title 14-208, which requires the Secretary of the Department of General Services to submit a report to the Board of Public Works each year.

If you have any questions regarding the contents of the report, please feel free to contact me at 410-767-4960 or the Assistant Secretary for Procurement and Logistics, Mr. Tony Reed, at 410-767-4430.

Sincerely,

A handwritten signature in cursive script, appearing to read "Boyd K. Rutherford".

Boyd K. Rutherford
Secretary

Enclosure

c: Mr. Michael I. Volk
Mr. Tony Reed



**REPORT OF THE OPERATION
AND EFFECTIVENESS OF THE
SMALL BUSINESS PREFERENCE PROGRAM
FOR
FISCAL YEAR 2003**

Robert L. Ehrlich, Jr.
Governor

Michael S. Steele
Lt. Governor

Department of General Services
Boyd K. Rutherford, Secretary

**REPORT TO THE BOARD OF PUBLIC WORKS AND THE
LEGISLATIVE POLICY COMMITTEE ON THE SMALL BUSINESS
PREFERENCE PROGRAM AS REQUIRED BY THE STATE
FINANCE AND PROCUREMENT ARTICLE, TITLE 14-208**

July 1, 2002 through June 30, 2003

This fiscal year report is submitted in accordance with Title 14-208 of the State Finance and Procurement Article. The law requires that, "Within 90 days after the end of each fiscal year, the Secretary of General Services . . . shall submit a report on the operation and effectiveness of the Small Business Preference Program . . . "

The Department of General Services designates all of its commodity requirements as small business preference procurement. Between July 1, 2002 and June 30, 2003, the Office of Procurement and Contracting (Commodity and Printing Procurement Division) of the Department of General Services was engaged in the following procurement activities:

1. The award of 1,218 (commodity and printing) contracts to regular and small businesses. The total value of the awards was \$158,724,836. The total value of small business awards was \$7,336,551 (4.62%) and of regular business purchases, \$151,388,285 (95.38%).
2. The award of 310 (25.45%) of the 1,218 contracts to small businesses. The average value of an award to a small business was \$23,666 and to a regular business, \$124,292.

The tables on the following page compare FY 2003 activities with FY 2002 activities in dollar value of purchases, the number of awards placed, and the average value of an award.

Of the 1,218 procurement transactions processed during FY 2003, DGS awarded 18 purchase orders or 1.48% based on applying the 5% preference. This represented an additional cost to the State of \$16,354 or 0.01% of the total 158,724,836 awarded. In comparison to FY 2002, DGS awarded 23 awards or 2.07% based on applying the 5% preference, at an additional cost to the state of \$48,946 or 0.03% of the total \$192,748,288 awarded.

Since last fiscal year, there was a slight decrease in the number of awards placed with small businesses while the dollar value of purchases increased more than 50%. This increase in the dollar value of purchases is attributed to the 82% increase in the average value per award.

DOLLAR VALUE OF PURCHASES

Business	FY 2003		FY 2002		% of Change
Regular	\$151,388,285	95.38%	\$187,918,356	97.49%	-19.44%
Small	7,336,551	4.62%	4,829,932	2.51%	51.90%
Total	\$158,724,836	100.00%	\$192,748,288	100.00%	-17.65%

NUMBER OF AWARDS

Business	FY 2003		FY 2002		% of Change
Regular	908	74.55%	739	66.58%	22.87%
Small	310	25.45%	371	33.42%	-16.44%
Total	1,218	100.00%	1,110	100.00%	9.73%

AVERAGE VALUE PER AWARD

Business	FY 2003	FY 2002	% of Change
Regular	124,292	\$254,287	-51.12%
Small	23.666	\$13.019	81.78%