



State of Maryland
Board of Public Works

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Robert L. Ehrlich, Jr.
Governor

William Donald Schaefer
Comptroller

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Treasurer

Sheila C. McDonald
Executive Secretary

January 18, 2005

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

Re: FY'04 Small Business Preference Report

Dear Mr. Aro:

Pursuant to the requirements of §14-208, State Finance and Procurement Article, I am forwarding five copies each of the Department of General Service's and the Department of Transportation's Fiscal Year 2004 reports on the operation and effectiveness of the Small Business Preference Program.

These reports summarize the activities of the departments from July 1, 2003 through June 30, 2004 with respect to the small business preference program. Under the preference program, participating departments are authorized to apply a predetermined percentage preference not exceeding 5% in favor of small businesses when evaluating bids or proposals that they have designated as small business preference procurements.

The Department of General Services reports that during FY'04, their commodity and Printing Procurement Division awarded \$5,298,908 (1.96% of total award dollars) to small businesses.

The Department of Transportation reports the award of \$28.4 million (2.3% of total procurement expenditures) to small businesses during the same period.


During the 2004 legislative session a new small business *reserve* program was enacted into law. This new program mandates that at least 10% of the dollar value of procurements made by twenty-two designated procurement units be from small businesses at the prime contract level, and permits the designation of bid or proposal solicitations for participation by certified small businesses only. It is currently being implemented:

- Procurement regulations have been prepared and approved by the Board of Public Works for publication. These will be submitted to the AELR committee during the month of January, 2005.
- The Department of General Services has fully implemented an on-line certification process whereby small businesses are certified for inclusion on the small business bidder's list.
- A comprehensive training program for State procurement personnel dealing exclusively with the small business reserve program has been developed and training will begin during the second quarter of FY'05.

The small business reserve program promises to assist the growth and development of small businesses especially those within the State of Maryland.

If you have any questions, please call me on 410.260.7718 or the Board's General Counsel, Mary Jo Childs, at 410.260.7335.

Sincerely,

A handwritten signature in black ink, appearing to read "Warren K. Wright". The signature is fluid and cursive, with a large initial "W" and "K".

Warren K. Wright

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
The Honorable Sharon Pinder
Lynn Porter, Legislative Policy Committee (40 copies)

**REPORT OF THE OPERATION
AND EFFECTIVENESS OF THE
SMALL BUSINESS PREFERENCE PROGRAM
FOR
FISCAL YEAR 2004**

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

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, 2003 through June 30, 2004

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, 2003 and June 30, 2004, the Office of Procurement and Logistics (Commodity and Printing Procurement Division) of the Department of General Services was engaged in the following procurement activities:

1. The award of 1,032 (commodity and printing) contracts to regular and small businesses. The total value of the awards was \$270,820,520. The total value of small business awards was \$5,298,908 (1.96%) and of regular business purchases, 265,521,612 (98.04%).
2. The award of 264 (25.58%) of the 1,032 contracts to small businesses. The average value of an award to a small business was \$20,071 and to a regular business, \$345,731.

The tables on the following page compare FY 2004 activities with FY 2003 activities in dollar value of purchases, the number of awards placed, and the average value of an award.

Of the 1,032 procurement transactions processed during FY 2004, DGS awarded five awards or .48% based on applying the 5% preference. This represented an additional cost to the State of \$4,030 or 0.0015% of the total 270,820,520 awarded. In comparison to FY 2003, DGS awarded 18 awards or 1.48% based on applying the 5% preference, at an additional cost to the state of \$16,354 or 0.01% of the total \$158,724,836 awarded.

Moreover, DGS has consistently awarded 25% of the total number of awards to small businesses. Although the average value per award and the dollar value of purchases have gradually declined over the years, the small business vendors' community has netted this fiscal year more than \$5.2M in awards from the Department of General Services.

DOLLAR VALUE OF PURCHASES

Business	FY 2004		FY 2003		% of Change
Regular	265,521,612	98.04%	\$151,388,285	95.38%	42.98%
Small	5,298,908	1.96%	7,336,551	4.62%	-38.45%
Total	270,820,520	100.00%	\$158,724,836	100.00%	41.39%

NUMBER OF AWARDS

Business	FY 2004		FY 2003		% of Change
Regular	768	74.42%	908	74.55%	-18.22%
Small	264	25.58%	310	25.45%	-17.42%
Total	1,032	100.00%	1,218	100.00%	-18.02%

AVERAGE VALUE PER AWARD

Business	FY 2004		FY 2003		% of Change
Regular	\$345,731		124,292		64.05%
Small	\$20,072		23,666		-17.91%



*Maryland Department
of Transportation*

SMALL BUSINESS PREFERENCE PROGRAM

FISCAL YEAR 2004 REPORT ON THE
OPERATIONS AND EFFECTIVENESS OF THE
PROGRAM

ROBERT L. EHRLICH, JR.
GOVERNOR

MICHAEL S. STEELE
LT. GOVERNOR

ROBERT L. FLANAGAN
SECRETARY

JAMES F. PORTS, JR.
DEPUTY SECRETARY

SUMMARY

The Maryland Department of Transportation is pleased to share that the Small Business Preference Program is moving forward. Additionally, after an analysis of data, it is apparent that the MDOT has been actively doing business with qualified small businesses.

During this fiscal year, we accomplished the following:

- Provided briefings on the program to Lt. Governor Michael S. Steele;
- Coordinated a Small Business Procurement Fair that was held at Salisbury University;
- Gave presentations to and participated in networking with the small and minority business community;
- Assisted in the drafting along with other key staff in the Small Business Reserve program legislation that has greatly impacted the operations of the Small Business Preference Program; and
- Met with other pertinent agencies (the Department of General Services and Department of Business and Economic Development) and staff (Senior Procurement Officers) who impact program implementation

ANALYSIS

An analysis was conducted of awarded contracts in ADPICS/FMIS to qualified small businesses to determine how much the department has been spending with small businesses using a combination of ordinary business practices; i.e. non-designated small business preference contracts and designated small business preference contracts. *We discovered that of the first 2014 small businesses qualified using the new Department of General Services online application, the MDOT spent \$28.4 million with them in FY 04. This is approximately 2.3 percent of the MDOT's total spent procurement dollars.* It is highly likely that both numbers will increase as more vendors get qualified as small businesses.

We are encouraged by these statistics as they represent that the MDOT has apparently always been doing business with small businesses. In fact, we have supporting documentation that appears to indicate a larger volume of awards to Small Business firms, but they are not yet retrievable because of data entry errors into FMIS/ADPICS. We will provide additional training to insure proper documentation in the future. Also, now that vendors will be identified in the MDOT's FMIS/ADPICS as small businesses because the fields are now activated, this should help in the proper data entry and reporting of Small Business Preference Procurements.

MDOT FY 04 Direct Vouchers to first 2014 DGS Qualified Small Businesses		
Agency	DEPT	GRS_AMT_VOUCHERED
J01 Total	TSO	10,529.15
J02 Total	SHA	17,858,723.49
J03 Total	MPA	767,055.68
J04 Total	MVA	32,720.68
J05 Total	MTA	3,708,083.70
J06 Total	MAA	3,395,435.92
Grand Total		\$25,772,548.62
Average Value Per Direct Voucher		\$6,821.74
Number of transactions		3778

MDOT FY 04 Vouchers to first 2014 Small Businesses		
Agency	DEPT	GRS_AMT_VOUCHERED
J01 Total	TSO	12,500.00
J02 Total	SHA	859,220.66
J03 Total	MPA	92,307.84
J04 Total	MVA	238,732.89
J05 Total	MTA	1,323,736.91
J06 Total	MAA	142,445.87
Grand Total		\$2,668,944.17
Average Value Per Voucher		\$1,726.35
Number of Transactions		1546