

**REPORT OF THE OPERATION
AND EFFECTIVENESS OF THE
SMALL BUSINESS PREFERENCE PROGRAM
FOR
FISCAL YEAR 2005**

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



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

December 29, 2005

The Honorable Thomas V. Mike Miller, Jr.
The Honorable Michael E. Busch
Legislative Policy Committee
Legislative Services Building, Room 200B
90 State Circle
Annapolis, Maryland 21401 - 1991

Dear Mr. President and Mr. Speaker:

State law requires the Secretary of General Services and the Secretary of Transportation to each submit an annual report to the Board of Public Works on the operation and effectiveness of the Small Business Preference Program within 90 days after the end of each fiscal year (State Finance and Procurement Article, §14-208). Within 60 days after receipt of the reports, the Board of Public Works compiles the information and reports to the Legislative Policy Committee. The Department of Transportation submitted a timely report. The Department of General Services submitted a report dated December 21, 2005.

Regulations governing the Small Business Preference Program were amended effective April 11, 2005 to make the business size standards consistent with those of the Small Business Reserve Program (COMAR 21.01.02.01(80)).

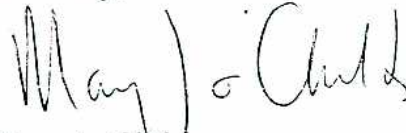
Summary of Reports:

Department of Transportation — Awarded 25 contracts valued at \$90,780.42 to Small Business Preference vendors. There is no information on how many contracts were awarded based on application of a price preference.

Department of General Services – Awarded 112 contracts valued at \$8,340,130.82 to Small Business Preference vendors. One award was based on applying the 5% preference.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Jo Childs". The signature is written in a cursive style with a large initial "M" and "J".

Mary Jo Childs
General Counsel

cc: The Honorable Robert L. Ehrlich, Jr.
The Honorable William Donald Schaefer
The Honorable Nancy K. Kopp
Sheila McDonald, Executive Secretary
✓ Sarah Albert, Legislative Services
Enoch Pratt Free Library

**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, 2004 through June 30, 2005

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, 2004 and June 30, 2005, 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. There were a total of 844 contract awards totaling \$291,946,009.94. The total value of small business preference (SBP) vendor awards were \$8,340,130.82 (3%) and \$282,152,318.06 (97%) to non-small preference (Non-SBP) vendors.
2. The award of 133 (16%) of the 844 contracts to SBP businesses. The average value of an award was \$75,136 to a SBP vendors and \$397,397 to a non-preference vendor.

The tables on the following page show a comparison of FY 2005 activities with FY 2004 activities in dollar value of purchases, the number of awards placed, and the average value of an award.

Of the 844 procurement transactions processed during FY 2005, DGS awarded one award or .12% based on applying the 5% preference. This represented an additional cost to the State of \$1,215.50 or 4.95% of the total \$291,946,009.94 awarded. In comparison to FY 2004, DGS awarded five awards or .48% based on applying the 5% preference, at an additional cost to the state of \$4,030 or 0.48% of the total \$270,820,520 awarded.

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 \$8.3M in awards from the Department of General Services.

DOLLAR VALUE OF PURCHASES

Business	FY 2005		FY 2004		% of Change*
	Dollar Value	%	Dollar Value	%	
Non-SBP	\$282,152,318.06	97%	\$265,521,612	98%	6%
SBP	\$8,340,130.82	3%	\$5,298,908	2%	57%
Total	\$291,946,009.94	100%	270,820,520	100.00%	8%

NUMBER OF AWARDS

Business	FY 2005		FY 2004		% of Change*
	Count	%	Count	%	
Non-SBP	710	84%	768	74%	- 8%
SBP	112	13%	264	26%	- 56%
Total	844	100%	1,032	100.00%	18%

AVERAGE VALUE PER AWARD**

Business	FY 2005	FY 2004	% of Change*
Non-SBP	\$397,397	\$345,731	15%
SBP	\$74,465	\$20,072	270%

*% of Change = (Current Yr #- Last Yr #)/Last Year #

** Average Value Per Award = Dollar Value of Purchases/# Of Awards



Maryland Department of Transportation
The Secretary's Office

Robert L. Ehrlich, Jr.
Governor

Michael S. Steele
Lt. Governor

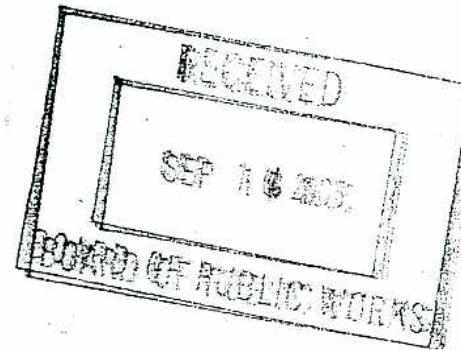
Robert L. Flanagan
Secretary

James F. Ports, Jr.
Deputy Secretary

September 13, 2005

Sheila McDonald, Esq.
Secretary
Board of Public Works
80 Calvert Street
Louis L. Goldstein Treasury Building
Annapolis, Maryland 21401

Dear Ms. McDonald:



In accordance with State Finance and Procurement Article § 14-208, the following report of the operation and effectiveness of the Small Business Preference Program for Fiscal Year 2005 is hereby submitted.

As of June 30, 2005, the Department of General Services certified 4,556 businesses under the Small Business Preference Program of which the Maryland Department of Transportation (MDOT) has awarded 25 supply/commodity contracts valued at \$90,780.42. These awards were identified through MDOT'S FMIS/ADPICS system and were based on procurements that were designated as a Small Business Preference.

As you are aware, opportunities under the Preference Program are limited to the procurement of supplies, services and construction-related services. In accordance with Code of Maryland Regulations, MDOT must first consider a selling entity in the following order of priority for their procurement needs: State Use Industries; Blind Industries and Services of Maryland; or a Certified Sheltered Workshop. If a selling entity waives their interest in the procurement, then MDOT is obligated to: (1) utilize existing indefinite quantity contracts through control agencies; (2) utilize Intergovernmental Contracts; and (3) adhere to sole source requirements. After exhausting these methods, all procurements must be considered for the Small Business Reserve Program. If the requirements of the solicitation cannot be obtained through small businesses, it is then considered for the Preference Program where small businesses compete against larger companies. If a small business comes within 5% of the low bid from a larger company, the small business is awarded the contract.

Since the establishment of the Small Business Reserve Program on October 1, 2004, much emphasis has been placed on fostering an environment where small businesses are given an opportunity to grow and succeed. It is anticipated that awards to small businesses through the Preference Program will increase by continuing to educate small businesses on the Small Business programs and on State procurement laws and regulations.

My telephone number is 410-865-1000
Toll Free Number 1-888-713-1414 TTY User Call Via MD Relay
7201 Corporate Center Drive, Hanover, Maryland 21076

Sheila McDonald, Esq.
Page Two

If you have any questions regarding the content of this report, you may contact Michele Thalheimer, Small Business Programs Manager at 410-865-1180. If you have any further concerns, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Flanagan', with a stylized flourish extending from the end.

Robert L. Flanagan
Secretary

cc: Mr. Brian McAllister, Assistant Director for Procurement, MDOT
Ms. Michele Thalheimer, Small Business Programs Manager, MDOT

Bert L. Ehrlich, Jr.
Governor

Michael S. Steele
Governor



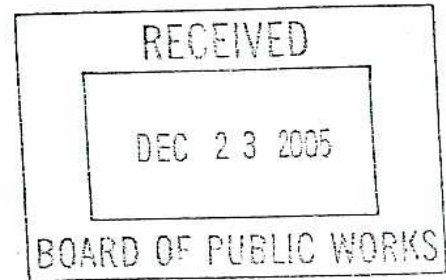
Boyd K. Rutherford
Secretary

Steve Cassard
Deputy Secretary

MARYLAND DEPARTMENT OF GENERAL SERVICES
OFFICE OF THE SECRETARY

December 21, 2005

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



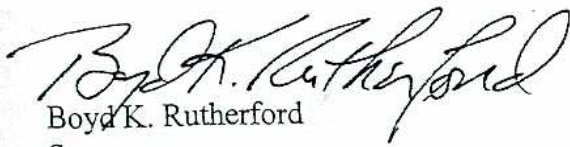
Dear Ms. McDonald:

Re: Small Business Preference Program

Enclosed with this letter is the Small Business Preference Program Report for fiscal year 2005. 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,


Boyd K. Rutherford
Secretary

Enclosure
cc: Mr. Michael I. Volk

