

**Sheila McDonald**  
*Executive Secretary*

**Mary Jo Childs**  
*Procurement Advisor*

**Gregory Bedward**  
*General Counsel*

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 Secretaries of General Services and Transportation, the University System of Maryland 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). Although not required by law, Morgan State University and the Department of Public Safety and Correctional Services also report to the Board. Within 60 days after receipt of the reports, the Board of Public Works compiles the information and reports to the Legislative Policy Committee.

### **Summary of Preference Program**

Under Maryland's Small Business Price Preference Law, agencies may designate individual procurements as Small Business Preference. When a procurement is so designated, certified small businesses compete for State contracts along with businesses that are not certified. If a non-certified business is low bidder, a certified small business would still be awarded the contract if their bid did not exceed the low bid by more than

- ♦ Up to 5% where the certified small business is not veteran-owned;
- ♦ Up to 7% where the business is a certified veteran-owned small business; or
- ♦ Up to 8% where the business is a certified service-disabled veteran-owned small business.<sup>1</sup>

### **Summary of Fiscal Year 2013 Reports**

**Department of General Services** incorporated Small Business Preference language into every commodity and facility maintenance solicitation. DGS awarded three commodities contracts

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<sup>1</sup> Low bid is not the sole determining factor for award.

totaling \$1,003,380 based on application of the 5% Preference. This represents .043% of the procurement awards, resulting in an additional cost to the State of \$3,603.

### **Department of Transportation**

- *The Secretary's Office* did not designate any Small Business Preference procurements in FY 2013. They will continue to evaluate all procurements for the Preference designation in FY 2014.
- *The Maryland Aviation Administration (MAA)* modified its policies to add Small Business Preference language to each small procurement. However, MAA did not make an award based on application of the Preference in FY 2013.
- *The Maryland Transit Administration (MTA)* incorporates Preference language in all solicitations for commodities, equipment, and other goods and services issued by the Office of Procurement. While MTA applies the Preference when appropriate, application of the Preference has not been the deciding factor in any of the contracts awarded in FY 2013.
- *The Maryland Transportation Authority (MdTA)* did not designate any procurement as Small Business Preference in FY 2013. MdTA is establishing processes to evaluate all procurements for Preference designation in FY 2014.
- *The Maryland Port Administration (MPA)* evaluates each procurement to determine its suitability for designation as a Small Business Preference although they did not award a contract based on application of the Preference in FY 2013.
- *The Motor Vehicle Administration (MVA)* issued seven solicitations with a Small Business Preference.
- *The State Highway Administration (SHA)* issued 28 solicitations that included the Small Business Preference.

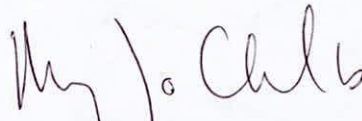
**Department of Public Safety and Correctional Services** designated ten contracts as Small Business Preference. One contract was awarded based on application of the Preference.

**University System of Maryland** reports that its institutions find the Small Business Reserve Program provides the greater opportunity for small businesses but will continue to pursue opportunities to apply the Preference.

**Morgan State University** designated a number of solicitations as Small Business Preference but no awards were made in FY 2013 based on application of the Preference.

**Conclusion:** With the exception of the Department of General Services, few participating agencies reported contract awards in FY 2013 based on application of the Preference. That pattern has been consistent over many reporting periods. What differentiates DGS efforts from most other agencies is the application of Preference to a large number of contracts. The likelihood of a percentage price preference affecting the outcome of a contract award is slight if agencies only designate a small number of procurements as a Preference.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Jo Childs". The signature is fluid and cursive, with the first name "Mary" and last name "Childs" clearly distinguishable.

Mary Jo Childs, Esq., CPCM, CPPO  
Procurement Advisor

cc: The Honorable Martin O'Malley  
The Honorable Nancy K. Kopp  
The Honorable Peter Franchot  
Sheila McDonald, Executive Secretary  
Sarah Albert, Legislative Services  
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