

**Sheila McDonald**  
*Executive Secretary*

**Mary Jo Childs**  
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**Gregory Bedward**  
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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 and 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 (State Finance and Procurement Article, §14-208). 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 2014 Reports**

The **Department of General Services** did not award any contracts based on application of the Small Business Preference in FY 2014 although they include the Preference provision in all commodities procurements. To maximize small business participation, DGS chose to focus on increasing the number of procurements designated as Small Business Reserve.

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

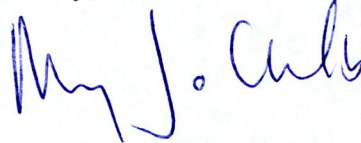
## The **Department of Transportation**

- *The Secretary's Office* did not designate any Small Business Preference procurements in FY 2014. They conduct most of their procurements through the DoIT master contracts and DGS Statewide contracts with limited opportunities for the Small Business Preference. They will continue to evaluate all procurements for the Preference designation in FY 2015.
- *The Maryland Aviation Administration (MAA)* designated eleven contracts as Small Business Preference in FY 2014. One contract award was made based on application of the Preference. Federal security requirements limit the number of procurements that may be designated as a Small Business Preference, but MAA will continue its outreach to small, minority, and veteran-owned businesses.
- *The Maryland Transit Administration (MTA)* did not designate any contracts as Small Business Preference in FY 2014. In FY 2015, they are developing clear criteria for the use of the Preference and ensuring that all procurement staff is trained in its application. They are attending outreach events to notify small, minority, and veteran-owned businesses of MTA procurement opportunities.
- *The Maryland Transportation Authority (MdTA)* designated five procurements as Small Business Preference in FY 2014, none of which resulted in an award to a small business. Like the other MDOT modal agencies, MdTA will continue to attend outreach events to notify small, minority, and veteran-owned businesses of MdTA procurement opportunities.
- *The Maryland Port Administration (MPA)* did not designate any contracts as Small Business Preference in FY 2014. The Port suggests that opportunities for State business are much greater under the Small Business Reserve Program. They add that the Port's unique requirements often result in limited-competition scenarios where the Small Business Preference is not appropriate.
- *The Motor Vehicle Administration (MVA)* issued five solicitations with a Small Business Preference provision. Three contracts were awarded to small businesses, although the MVA report is unclear which of those awards were based on application of the Price Preference.
- *The State Highway Administration (SHA)* designated 42 procurements as Small Business Preference. Each of the 42 awards were made to small businesses, but the SHA report is unclear which of the awards were based on application of the Price Preference.

The **University System of Maryland** reports that the Small Business Reserve Program reaches more small businesses than the Preference Program. USM institutions occasionally test application of the Small Business Preference for procurements over \$100,000. They report that the Preference has no impact on the contract award. They will continue to emphasize small business procurement opportunities.

**Conclusion:** Few participating agencies reported contract awards in FY 2014 based on application of the Preference. That pattern has been consistent over many reporting periods. Agencies argue that their efforts are more effective if focused on the Small Business Reserve Program that has a track record of success – reaching 11.8% participation in in FY 2014.

Sincerely,

A handwritten signature in blue 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 Lawrence J. Hogan  
The Honorable Nancy K. Kopp  
The Honorable Peter Franchot  
Sheila McDonald, Executive Secretary  
Sarah Albert, Legislative Services  
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