

Fiscal Year 2011
(July 1, 2010 to June 30, 2011)

Small Business Reserve Program (SBR) Report



GOVERNOR'S OFFICE OF
MINORITY AFFAIRS

Martin O'Malley, *Governor*
Anthony G. Brown, *Lieutenant Governor*
Luwanda W. Jenkins, *Special Secretary*

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Message from the Special Secretary:

I am pleased to present the Small Business Reserve (SBR) Program Report for Fiscal Year 2011. This past year has once again been one of steady growth and gains for Maryland's small businesses in the overall volume of procurement and contract payments going to participating SBR firms. During FY 2011, the 23 participating State SBR Agencies achieved 6.1 percent, collectively. Aggregate dollars continued to rise, representing a 7.4 percent increase in payments to SBR firms (from \$188 million in FY 2010 to \$202 million in FY 2011).

The SBR program is an innovative approach to creating access to business opportunities. The participating State agencies play a significant role in the program that allows small businesses to participate as prime contractors on State contracts. In fact, their efforts have helped to increase aggregate dollars going to SBR firms by 66 percent over the past 5 fiscal years (from \$122 million in FY 2007 to \$202 million in FY 2011).

Maryland is home to a robust community of small, minority and women-owned firms who collectively represent one of the largest talent pools of its kind in the country. Increasing access to contracting opportunities is a major priority for the O'Malley-Brown Administration, and Maryland's small and minority firms are ready, able, and willing to participate in all levels of state contracting and procurement activity.

In partnership with the Maryland Department of General Services and the Maryland Board of Public Works, we will continue to strengthen our commitment to the success of the SBR program, and our efforts to increase access to opportunities for Maryland's small businesses.

Sincerely,



Luwanda W. Jenkins
Special Secretary

SMALL BUSINESS RESERVE PROGRAM (SBR) Report for Fiscal Year 2011

Program Overview

Maryland's Small Business Reserve (SBR) Program, created in 2004, is a race-neutral program that allows small businesses to participate as prime contractors on State contracts without competing with larger, more established businesses. The SBR Program applies to 23 designated agencies. Under the State Procurement Law, these agencies are required to spend at least 10 percent of their total fiscal year procurement expenditures with qualified small businesses. Md. Code Ann., State Fin. & Proc. Art. §14-501 - §14-505 (2011 Supp).

History

The SBR Program went into effect on October 1, 2004. The Board of Public Works (BPW) promulgated SBR Program regulations that provided procedural and administrative guidance to the 22 SBR agencies. The enabling legislation called for the SBR Program to sunset on September 30, 2007. In 2007, legislation was passed to extend the program through September, 2010. During the 2008 and 2010 Maryland General Assembly Sessions, the Governor's Office of Minority Affairs (GOMA), in partnership with the Maryland Board of Public Works, the Maryland Department of General Services (DGS), and a committee of private sector industry and business representatives, charted a course to evaluate and modify the program. Changes included adding an architecture and engineering category, modifying the average gross sales requirements and number of employees a small business may have to participate in the SBR program, adding two additional State procuring units to the list of participating agencies, and removing one agency from the program. In 2010, the program was extended through September, 2016. (See Appendix A – Program Timeline)

There are now a total of 23 agencies that must comply with the program requirements (see agency list below). Small businesses who meet the SBR business size criteria as defined under law must self-register for the program through DGS. Once registered, firms must renew yearly and must notify DGS immediately when there is any change in the firm's size/structure/ownership status.

Participating Agencies

1. Business & Economic Development
2. Education
3. Environment
4. General Services
5. Health & Mental Hygiene
6. Housing & Community Development
7. Human Resources
8. Information Technology
9. Insurance Administration
10. Juvenile Services
11. Labor, Licensing & Regulation
12. Lottery
13. Morgan State University
14. Natural Resources
15. Public Safety & Correctional Services
16. Retirement
17. Stadium Authority
18. State Police
19. Maryland Department of Transportation
 - *Secretary's Office*
 - *Maryland Aviation Administration*
 - *Maryland Transit Administration*
 - *Motor Vehicle Administration*
 - *State Highway Administration*
20. Maryland Port Administration

21. Maryland Transportation Authority
22. Treasurer's Office
23. University System of Maryland
 - Bowie State University*
 - Coppin State University*
 - Frostburg State University*
 - Salisbury State University*

Towson University
University of Baltimore
University of MD, Baltimore
University of MD, Baltimore County
University of MD, College Park
University of MD, Eastern Shore
University of MD, University College

Vendor Registration

The initial SBR legislation required DGS to develop and maintain a SBR database and to manage all functions related to SBR Program vendor registration. DGS is also responsible for ensuring that all self-registering vendors are legitimately qualified to participate in the program. As part of the quality control process, DGS must verify a specific vendor's eligibility to participate in the SBR Program upon request from an agency procurement official, or when sources from the private/business community provide sufficient credible information to DGS to trigger an investigation.

The database is currently managed by DGS's Office of Procurement and Logistics. Small businesses needing assistance with the registration process have access to a SBR Help Desk via a toll-free phone line during regular business hours.

Program Implementation

GOMA was given responsibility for overseeing implementation of the SBR program in April, 2006. GOMA's focus since then has been two-fold: 1) provide agencies with the training, information and technical assistance necessary to successfully implement the program, and, 2) monitor agencies' procurement activity to ensure that the SBR Program is utilized to the fullest extent possible and all SBR reporting requirements are met.

An SBR Agency Workgroup was formed by GOMA in April, 2006 to provide a forum for the SBR agencies to work through some of the program start-up challenges and to develop and exchange best practices. In order to meet the 10 percent SBR target, a sufficient number of procurements must be set aside, i.e., designated for SBR award only, so that payments to SBR contractors during the fiscal year are at a level that meets or exceeds the 10 percent requirement.

It should be noted that: 1) the SBR law does not require a small business to be registered for the program at the time of bid/proposal submission; registration may occur any time prior to final contract award, and, 2) the implementation regulations promulgated by the BPW allow agencies to count incidental SBR expenditures towards the 10 percent SBR target amount.

Incidental SBR expenditures refer to contract payments made to SBR vendors where the initial procurement/purchase was not designated for SBR participation; however, an existing SBR firm or an SBR eligible firm was able to compete for and win the contract. Payments made to SBR vendors where the initial procurement/purchase was identified as SBR up front as part of the written bid documents, are referred to as designated SBR expenditures.

Under legislation passed during the 2006 legislative session, SBR agencies are required each year to develop an SBR strategic plan which is the equivalent of a procurement forecast that identifies:

- 1) all procurements the agency plans to execute in the upcoming fiscal year;
- 2) the subset of all procurements that will be designated for SBR participation;
- 3) the projected total procurement expenditures for the upcoming fiscal year;
- 4) the projected SBR target amount (10 percent of projected total expenditures); and,
- 5) the methodology the agency will use during the FY to monitor SBR achievement.

The agencies' SBR strategic plans must be submitted to GOMA within 60 days of final approval of the State budget by the Maryland General Assembly. Agencies are also required to submit an annual SBR report that summarizes the agency's actual SBR activity over the previous fiscal year. The annual report is due to GOMA not later than September 30th each year.

Payment Activity

During FY 2011, the 23 participating State SBR agencies achieved 6.1 percent, collectively. Total aggregate SBR payments made by agencies continue to expand each year. SBR firms received \$202 million in payments in FY 2011 compared to \$188 million in FY 2010, representing a 7.4 percent increase. Over the past 5 years, SBR payments increased by 66 percent (from \$122 million in FY 2007 to \$202 million in FY 2011). Exhibits 1, 2 and 3 provide statistical detail.

Exhibit 1: Total SBR Payments by Participating Agencies for FY 2011

	Agency Name	Total FY 2011 Procurement Expenditures	Total FY 2011 SBR Procurement Expenditures	FY 2011 Agency SBR %
1	Business & Economic Development	\$6,413,496	\$920,281	14.3%
2	Education	\$71,134,285	\$6,768,204	9.5%
3	Environment	\$13,431,149	\$2,956,418	22.0%
4	General Services	\$142,522,423	\$16,663,705	11.7%
5	Health & Mental Hygiene	\$203,963,621	\$6,368,535	3.1%
6	Housing & Community Development	\$7,743,685	\$1,783,738	23.0%
7	Human Resources	\$537,347,812	\$13,898,204	2.6%
8	Information Technology	\$27,937,724	\$3,699,981	13.2%
9	Insurance Administration	\$1,051,965	\$127,059	12.1%
10	Juvenile Services	\$101,606,984	\$2,884,929	2.8%
11	Labor, Licensing & Regulation	\$31,709,626	\$2,752,236	8.7%
12	Lottery	\$49,762,630	\$2,679,478	5.4%
13	Morgan State University	\$37,661,010	\$1,131,136	3.0%
14	Natural Resources	\$30,377,026	\$4,307,017	14.2%

	Agency Name	Total FY 2011 Procurement Expenditures	Total FY 2011 SBR Procurement Expenditures	FY 2011 Agency SBR %
15	Public Safety & Correctional Services	\$321,674,803	\$13,870,259	4.3%
16	Retirement	\$8,071,637	\$355,178	4.4%
17	Stadium Authority	\$14,223,967	\$2,318,889	16.3%
18	State Police	\$81,536,465	\$4,580,326	5.6%
19	Maryland Department of Transportation (Includes the Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration, & State Highway Administration.)	\$809,097,535*	\$65,903,400*	8.1%*
20	Maryland Port Administration			
21	Maryland Transportation Authority			
22	Treasurer's Office	\$1,811,958	\$485,989	26.8%
23	University System of Maryland	\$827,325,415	\$47,491,992	5.7%
	<i>Bowie State University</i>	\$13,314,834	\$1,418,519	10.7%
	<i>Coppin State University</i>	\$20,509,012	\$2,084,099	10.2%
	<i>Frostburg State University</i>	\$14,516,591	\$1,357,439	9.4%
	<i>Salisbury State University</i>	\$13,481,998	\$3,131,014	23.2%
	<i>Towson University</i>	\$63,038,479	\$4,497,800	7.1%
	<i>University of Baltimore</i>	\$12,448,740	\$1,173,781	9.4%
	<i>University of MD, Baltimore</i>	\$219,422,677	\$4,389,274	2.0%
	<i>University of MD, Baltimore County</i>	\$30,457,940	\$2,080,013	6.8%
	<i>University of MD, College Park</i>	\$370,707,650	\$23,310,746	6.3%
	<i>University of MD, Eastern Shore</i>	\$17,040,143	\$1,686,927	9.9%
	<i>University of MD, University College</i>	\$52,387,351	\$2,362,380	4.5%
	TOTAL	\$3,326,405,216	\$201,946,954	6.1%

*The totals for the Maryland Department of Transportation are for the entire agency even though the law designates them as 3 separate SBR units.
Source: GOMA

Exhibit 2: SBR Payments from FY 2007 to FY 2011

Year	Total Procurement Expenditures	SBR Expenditures
2007	\$2,025,975,254	\$121,915,299
2008	\$2,228,452,528	\$131,558,249
2009	\$2,653,128,543	\$147,614,990
2010	\$3,036,876,622	\$188,052,027
2011	\$3,326,405,216	\$201,946,954
FY 2010 to FY 2011	Aggregate dollars increased by 7.4 percent. (from \$188 million to \$202 million)	
FY 2007 to FY 2011	Aggregate dollars increased by 66 percent. (from \$122 million to \$202 million)	

Exhibit 3: Percentage of Expenditures Reported by Participating Agencies (FY 2010–FY 2011)

	Agency Name	FY 2010 Agency SBR Expenditures	FY 2010 Agency SBR (%)	FY 2011 Agency SBR Expenditures	FY 2011 Agency SBR (%)
1	Business & Economic Development	\$1,677,206	24.3	\$920,281	14.3%
2	Education	\$4,346,836	4.9	\$6,768,204	9.5%
3	Environment	\$1,430,000	10.1	\$2,956,418	22.0%
4	General Services	\$18,607,893	14.0	\$16,663,705	11.7%
5	Health & Mental Hygiene	\$9,454,892	4.5	\$6,368,535	3.1%
6	Housing & Community Development	\$1,685,609	21.0	\$1,783,738	23.0%
7	Human Resources	\$11,965,265	2.3	\$13,898,204	2.6%
8	Information Technology	\$3,177,607	14.9	\$3,699,981	13.2%
9	Insurance Administration	\$223,973	11.9	\$127,059	12.1%
10	Juvenile Services	\$2,271,714	1.6	\$2,884,929	2.8%
11	Labor, Licensing & Regulation	\$2,800,972	11.7	\$2,752,236	8.7%
12	Lottery	\$513,793	1.2	\$2,679,478	5.4%
13	Morgan State University	\$2,451,047	8.9	\$1,131,136	3.0%
14	Natural Resources	\$6,091,242	15.8	\$4,307,017	14.2%
15	Public Safety & Correctional Services	\$11,469,269	3.5	\$13,870,259	4.3%
16	Retirement	\$318,565	4.3	\$355,178	4.4%
17	Stadium Authority	\$2,490,835	11.0	\$2,318,889	16.3%
18	State Police	\$1,944,993	7.3	\$4,580,326	5.6%
19	Maryland Department of Transportation <i>(Includes the Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration, and State Highway Administration.)</i>	\$63,365,960*	7.9*	\$65,903,400*	8.1%*
20	Maryland Port Administration				
21	Maryland Transportation Authority				
22	Treasurer's Office	\$340,967	22.2	\$485,989	26.8%
23	University System of Maryland	\$41,424,289	5.3	\$47,491,992	5.7%
	<i>Bowie State University</i>	\$1,545,060	9.5	\$1,418,519	10.7%
	<i>Coppin State University</i>	\$1,085,507	10.3	\$2,084,099	10.2%
	<i>Frostburg State University</i>	\$3,056,415	24.9	\$1,357,439	9.4%
	<i>Salisbury State University</i>	\$2,242,974	18.8	\$3,131,014	23.2%
	<i>Towson University</i>	\$2,177,162	5.1	\$4,497,800	7.1%
	<i>University of Baltimore</i>	\$936,801	6.3	\$1,173,781	9.4%
	<i>University of MD, Baltimore</i>	\$3,325,815	1.4	\$4,389,274	2.0%
	<i>University of MD, Baltimore County</i>	\$1,425,917	3.2	\$2,080,013	6.8%
	<i>University of MD, College Park</i>	\$21,093,938	6.1	\$23,310,746	6.3%
	<i>University of MD, Eastern Shore</i>	\$841,789	8.1	\$1,686,927	9.9%
	<i>University of MD, University College</i>	\$3,692,911	8.3	\$2,362,380	4.5%
	TOTAL	\$188,052,027	6.2	\$201,946,954	6.1%

*The totals for the Maryland Department of Transportation are for the entire agency even though the law designates them as 3 separate SBR units.

Source: GOMA

APPENDIX A

Small Business Reserve Program Timeline																						
April 2004	<p>Legislation passed establishing the program as a 3-year pilot with 22 designated agencies. It also:</p> <ul style="list-style-type: none"> • Required DGS to develop and maintain a database and to manage all functions related to SBR Program vendor registration. • Included sunset date of September 30, 2007. • Defined small business criteria as the following: <ul style="list-style-type: none"> ○ The business is independently owned and operated; the business is not a subsidiary of another business; the business is not dominant in its field of operations. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #808080; color: white;">Category</th> <th style="background-color: #808080; color: white;">Maximum # of Employees</th> <th style="background-color: #808080; color: white;">Maximum Average Gross Sales Over Last 3 Fiscal Years</th> </tr> </thead> <tbody> <tr> <td>Wholesale</td> <td style="text-align: center;">50</td> <td style="text-align: center;">\$2 million</td> </tr> <tr> <td>Retail</td> <td style="text-align: center;">25</td> <td style="text-align: center;">\$2 million</td> </tr> <tr> <td>Manufacturing</td> <td style="text-align: center;">100</td> <td style="text-align: center;">\$2 million</td> </tr> <tr> <td>Service</td> <td style="text-align: center;">100</td> <td style="text-align: center;">\$2 million</td> </tr> <tr> <td>Construction</td> <td style="text-align: center;">50</td> <td style="text-align: center;">\$7 million</td> </tr> </tbody> </table>	Category	Maximum # of Employees	Maximum Average Gross Sales Over Last 3 Fiscal Years	Wholesale	50	\$2 million	Retail	25	\$2 million	Manufacturing	100	\$2 million	Service	100	\$2 million	Construction	50	\$7 million			
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October 2004	Program goes into effect.																					
April 2006	<ul style="list-style-type: none"> • GOMA assumed responsibility for implementation of the Program and formed the SBR Agency Workgroup. • Agencies required to develop annual strategic plans. 																					
April 2007	Program extended through September 2010.																					
April 2008	<ul style="list-style-type: none"> • Department of Budget and Management no longer participating in the Program. • Added 2 agencies: Department of Information Technology and Maryland Transportation Authority. • Added new category: Architecture and Engineering. • Modified the average gross sales requirements: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #808080; color: white;">Category</th> <th style="background-color: #808080; color: white;">Maximum # of Employees</th> <th style="background-color: #808080; color: white;">Maximum Average Gross Sales Over Last 3 Fiscal Years</th> </tr> </thead> <tbody> <tr> <td>Wholesale</td> <td style="text-align: center;">50</td> <td style="text-align: center;">Raised to \$4 million</td> </tr> <tr> <td>Retail</td> <td style="text-align: center;">25</td> <td style="text-align: center;">Raised to \$3 million</td> </tr> <tr> <td>Service</td> <td style="text-align: center;">100</td> <td style="text-align: center;">Raised to \$10 million</td> </tr> <tr> <td>Architecture & Engineering (new)</td> <td style="text-align: center;">100</td> <td style="text-align: center;">\$4.5 million</td> </tr> <tr> <td>Manufacturing (no change)</td> <td style="text-align: center;">100</td> <td style="text-align: center;">\$2 million</td> </tr> <tr> <td>Construction (no change)</td> <td style="text-align: center;">50</td> <td style="text-align: center;">\$7 million</td> </tr> </tbody> </table>	Category	Maximum # of Employees	Maximum Average Gross Sales Over Last 3 Fiscal Years	Wholesale	50	Raised to \$4 million	Retail	25	Raised to \$3 million	Service	100	Raised to \$10 million	Architecture & Engineering (new)	100	\$4.5 million	Manufacturing (no change)	100	\$2 million	Construction (no change)	50	\$7 million
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