

Small Business Reserve (SBR) Program Report



Fiscal Year 2013

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Zenita Wickham Hurley
Special Secretary





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Message from Special Secretary Hurley

Dear Friends:

Maryland's Small Business Reserve (SBR) Program is growing! After several years of flat gains, our program saw significant increases in terms of payments as well as the overall percentage of participation. Procurements to SBR vendors grew by 28.8% over the last fiscal year, increasing from \$218 million in FY2012 to \$281 million in FY 2013. We also narrowed the gap toward our goal of awarding 10% of the total fiscal year procurement expenditures with qualified small businesses through the 23 participating agencies, increasing overall participation from 6.15% in FY2012 to 9.03% in FY2013. This represents a growth of 46.6% in just one year.

The SBR gives small business owners the opportunity to increase capacity by performing as prime contractors. Both the Governor's Office of Minority Affairs (GOMA) and our partner agency, the Department of General Services (DGS), have been aggressively promoting the benefits of participation in the SBR Program through statewide outreach efforts. As a result, the number of vendors registered in the program has grown by 42.7%, increasing from 3,982 in FY2012 to 5,685 in FY2013. I believe this growth can also be attributed to our legislative efforts to draw more businesses into the program by modifying the vendor registration requirements during the 2012 Maryland General Assembly.

Helping small businesses get engaged in state contracting is a priority for the O'Malley-Brown administration. Over the past fiscal year, GOMA and DGS conducted a survey and a listening session to learn more about the experiences our vendors are having with the program. This information will help us as we continue to strengthen the program moving forward.

Small business is the backbone of Maryland's economy. It is my pleasure to share the Small Business Reserve Program FY2013 Report and ask for your continued support of our small business community.

Sincerely,

A handwritten signature in blue ink that reads "Zenita Wickham Hurley". The signature is written in a cursive style.

Zenita Wickham Hurley
Special Secretary

Small Business Reserve (SBR) Program

Fiscal Year 2013 Report

SBR Program Overview

Maryland's Small Business Reserve (SBR) Program is a race- and gender-neutral program that provides small businesses with the opportunity to participate as prime contractors on State contracts and procurements by competing against other small businesses instead of 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% of their total fiscal year procurement expenditures with qualified 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 Maryland Board of Public Works (BPW) promulgated SBR Program regulations that provided procedural and administrative guidance to the then 22 SBR agencies.¹ In order to be eligible to participate in the SBR Program, businesses must meet certain size standard as defined by average gross sales and number of employee, among other requirements.² 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 BPW, 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.

In 2012, the General Assembly changed the program's eligibility standards requiring businesses to meet either the average gross sales or the number of employees cap. Previously, eligible SBR vendors had to meet both size standards. This change took effect on October 1, 2012 and remains in effect until September 30, 2014, unless reauthorized by the legislature. As part of the same legislation, the General Assembly also required DGS, in consultation with GOMA and the Maryland Department of Transportation, to conduct a study of the effectiveness of the SBR Program and to report its findings to the legislature by October 1, 2013. The study includes among its findings the following recommendations³:

- Extend the certification renewal term from the current one year to two years to make it easier for registrants to remain in the Program and increase participation.
- Require that each of the 23 agencies that participate in the Program designate an SBR liaison and make a directory of these individuals available on the DGS and GOMA websites.
- In order to ensure the integrity of the SBR vendor pool, which has increased due to the

¹ See Code of Maryland Regulations (COMAR) 21.11.01.06

² Md. Code Ann., State Fin. & Proc. Art. §14-501(c)

³ Small Business Reserve Program Study, Recommendations/Proposed Actions, pg. 16

criteria change, DGS should review its online registration process and require vendors to submit the documentation currently mandated for the random auditing of firms via Administrative Audit within a certain amount of time after registering on eMaryland Marketplace.

- Increase outreach efforts, led by DGS and GOMA, in collaboration with sister agencies, to promote and market the Program to increase the number of SBR vendors in the registry focusing on under-represented industrial categories.
- Establish a workgroup of external and internal SBR program stakeholders to review the accessibility and function of the SBR website and directory.

Currently, the SBR Program includes 23 state agencies and departments that must comply with program requirements. Small businesses who meet the SBR business size criteria self-register for the program through an online process managed by DGS. Once registered, firms are required to renew their registrations annually as well as notify DGS immediately when there is any change in the firm's size/structure/ownership status.

Participating Agencies

- | | |
|---|--|
| 1. Business & Economic Development | 19. Maryland Department of Transportation
<i>Secretary's Office</i> |
| 2. Education | <i>Maryland Aviation Administration</i> |
| 3. Environment | <i>Maryland Transit Administration</i> |
| 4. General Services | <i>Motor Vehicle Administration</i> |
| 5. Health & Mental Hygiene | <i>State Highway Administration</i> |
| 6. Housing & Community Development | 20. Maryland Port Commission |
| 7. Human Resources | 21. Maryland Transportation Authority |
| 8. Information Technology | 22. Treasurer's Office |
| 9. Insurance Administration | 23. University System of Maryland |
| 10. Juvenile Services | <i>Bowie State University</i> |
| 11. Labor, Licensing & Regulation | <i>Coppin State University</i> |
| 12. Lottery Agency | <i>Frostburg State University</i> |
| 13. Morgan State University | <i>Towson University</i> |
| 14. Natural Resources | <i>University of Baltimore</i> |
| 15. Public Safety & Correctional Services | <i>University of MD, Baltimore</i> |
| 16. Retirement Agency | <i>University of MD, College Park</i> |
| 17. Stadium Authority | <i>University of MD, Eastern Shore</i> |
| 18. State Police | <i>University of MD, University College</i> |

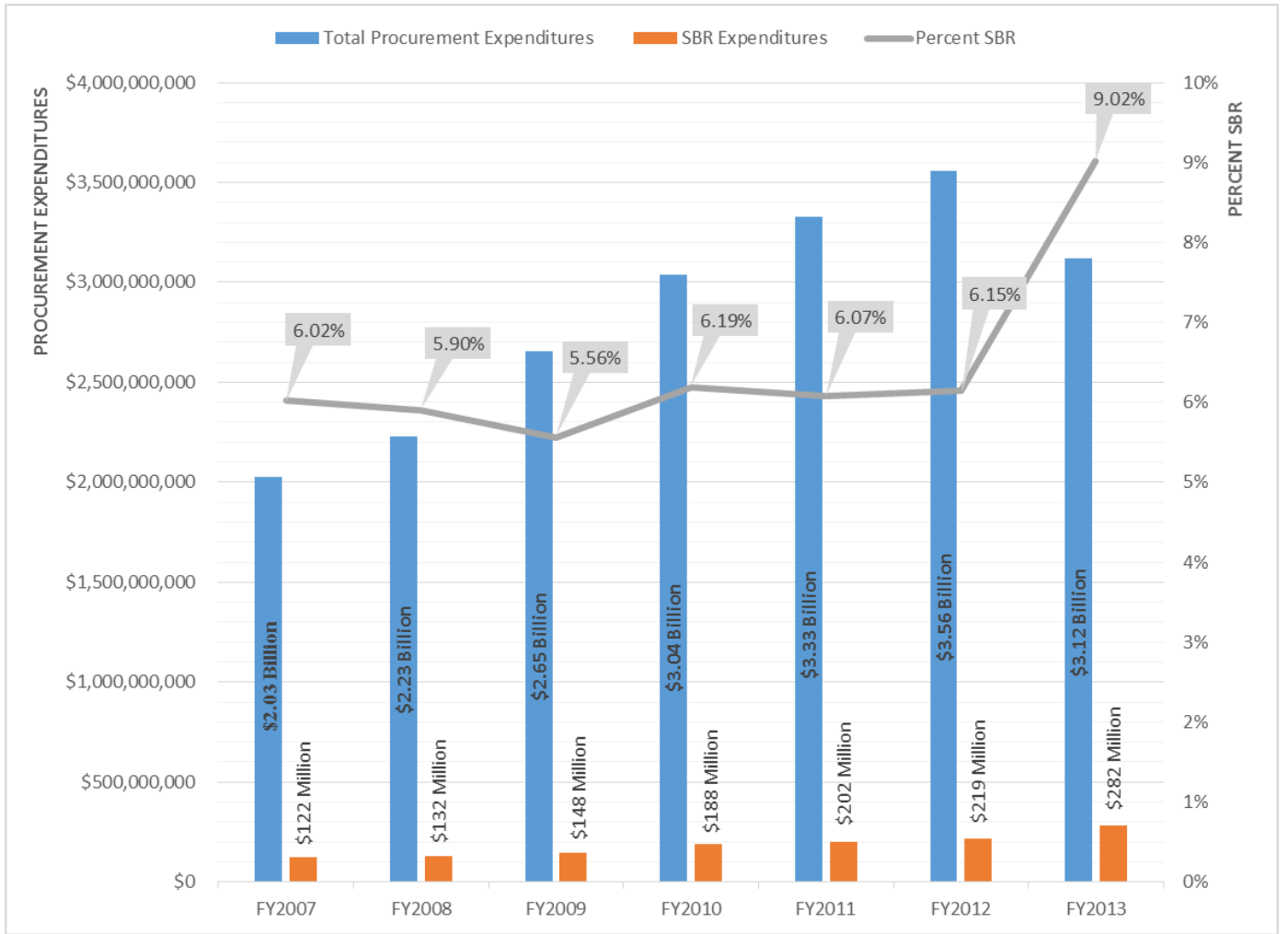
Payment Activity

During FY2013, the 23 participating SBR agencies achieved 9.02% SBR utilization collectively. During the same period, SBR firms received a total of \$281.6 million in payments compared to \$218.6 million in FY2012, representing a 28.8% increase. Over the past seven years, SBR payments increased by 131% (from \$121.9 million in FY2007 to 281.6 million in FY2013). Statistical details are provided in the following exhibits.

Exhibit1: Total SBR Payments by Participating Agencies for FY2013

	State Procurement Agency/Department	FY2013 SBR Expenditures	FY2013 Total Procurement Expenditures	FY2013 SBR Participation
1	Business & Economic Development	\$3,005,425	\$8,646,529	34.76%
2	Education	\$14,158,401	\$75,412,281	18.77%
3	Environment	\$2,284,867	\$8,676,202	26.33%
4	General Services	\$13,572,916	\$76,737,399	17.69%
5	Health & Mental Hygiene	\$14,223,556	\$342,841,837	4.15%
6	Housing & Community Development	\$1,494,117	\$15,606,058	9.57%
7	Human Resources	\$13,785,787	\$150,072,672	9.19%
8	Information Technology	\$5,140,226	\$34,212,254	15.02%
9	Insurance Administration	\$245,646	\$1,682,888	14.60%
10	Juvenile Services	\$4,956,837	\$103,304,691	4.80%
11	Labor, Licensing & Regulation	\$2,777,472	\$25,524,794	10.88%
12	Lottery	\$7,690,138	\$66,544,124	11.56%
13	Morgan State University	\$3,167,915	\$31,851,463	9.95%
14	Natural Resources	\$3,531,083	\$31,061,620	11.37%
15	Public Safety & Correctional Services	\$11,347,681	\$260,964,493	4.35%
16	Retirement	\$237,459	\$4,741,983	5.01%
17	Stadium Authority	\$2,611,559	\$12,911,861	20.23%
18	State Police	\$2,973,361	\$31,797,728	9.35%
19	Transportation (<i>Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration</i>)	\$94,140,597	\$1,082,451,316	8.70%
20	Maryland Port Commission			
21	Maryland Transportation Authority			
22	Treasurer's Office	\$49,585	\$3,491,782	1.42%
23	University System of Maryland	\$80,242,643	\$753,233,590	10.65%
	<i>Bowie State University</i>	\$2,189,940	\$12,000,892	18.25%
	<i>Coppin State University</i>	\$1,463,062	\$12,355,316	11.84%
	<i>Frostburg State University</i>	\$4,087,072	\$12,433,400	32.87%
	<i>Salisbury State University</i>	\$1,684,075	\$9,979,581	16.88%
	<i>Towson University</i>	\$7,196,347	\$55,432,594	12.98%
	<i>University of Baltimore</i>	\$1,839,383	\$13,471,363	13.65%
	<i>University of MD, Baltimore</i>	\$11,358,125	\$153,638,467	7.39%
	<i>University of MD, Baltimore County</i>	\$3,357,904	\$34,052,815	9.86%
	<i>University of MD, College Park</i>	\$34,347,580	\$356,962,548	9.62%
	<i>University of MD, Eastern Shore</i>	\$2,466,061	\$15,686,576	15.72%
	<i>University of MD, University College</i>	\$10,253,094	\$77,220,038	13.28%
	STATEWIDE TOTAL	\$281,637,271	\$3,121,767,565	9.02%

Exhibit 2: SBR Payments from FY2007 – FY2013



FY2012 to FY2013	Aggregate dollars increased by 28.8% (from \$218 million to \$281 million).
FY2007 to FY2013	Aggregate dollars increased by 131% (from \$122 million to \$281 million).

Exhibit 3: Percentage of Expenditures Reported by Participating Agencies
(FY2012 – FY2013)

	Agency Name	FY2012 SBR Expenditures	FY2012 SBR Participation	FY2013 SBR Expenditures	FY2013 SBR Participation
1	Business & Economic Development	\$606,446	10.19%	\$3,005,425	34.76%
2	Education	\$9,290,533	8.86%	\$14,158,401	18.77%
3	Environment	\$4,577,072	31.53%	\$2,284,867	26.33%
4	General Services	\$16,228,787	16.93%	\$13,572,916	17.69%
5	Health & Mental Hygiene	\$14,222,454	3.14%	\$14,223,556	4.15%
6	Housing & Community Development	\$1,870,897	20.99%	\$1,494,117	9.57%
7	Human Resources	\$12,695,423	2.33%	\$13,785,787	9.19%
8	Information Technology	\$7,323,143	8.75%	\$5,140,226	15.02%
9	Insurance Administration	\$114,253	7.34%	\$245,646	14.60%
10	Juvenile Services	\$3,883,271	3.53%	\$4,965,837	4.81%
11	Labor, Licensing & Regulation	\$2,728,753	8.02%	\$2,777,472	10.88%
12	Lottery	\$3,195,634	2.91%	\$7,690,138	11.56%
13	Morgan State University	\$2,811,666	10.03%	\$3,167,915	9.95%
14	Natural Resources	\$4,158,479	11.36%	\$3,531,083	11.37%
15	Public Safety & Correctional Services	\$11,671,347	4.22%	\$11,347,681	4.35%
16	Retirement	\$296,021	2.92%	\$237,459	5.01%
17	Stadium Authority	\$3,123,799	25.29%	\$2,611,559	20.23%
18	State Police	\$4,636,459	12.93%	\$2,973,361	9.35%
19	Transportation (<i>Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration</i>)	\$66,746,046	7.39%	\$94,140,597	8.70%
20	Maryland Port Commission				
21	Maryland Transportation Authority				
22	Treasurer's Office	\$37,462	1.24%	\$49,585	1.42%
23	University System of Maryland	\$48,357,857	7.07%	\$80,242,643	10.65%
	<i>Bowie State University</i>	\$1,769,756	11.33%	\$2,189,940	18.25%
	<i>Coppin State University</i>	\$1,329,310	7.05%	\$1,463,062	11.84%
	<i>Frostburg State University</i>	\$2,796,665	20.36%	\$4,087,072	32.87%
	<i>Salisbury State University</i>	\$2,432,845	16.97%	\$1,684,074	16.88%
	<i>Towson University</i>	\$3,904,930	6.29%	\$7,196,347	12.98%
	<i>University of Baltimore</i>	\$860,593	6.99%	\$1,839,383	13.65%
	<i>University of MD, Baltimore</i>	\$4,679,542	3.24%	\$11,358,125	7.39%
	<i>University of MD, Baltimore County</i>	\$2,321,723	12.93%	\$3,357,904	9.86%
	<i>University of MD, College Park</i>	\$24,471,126	8.15%	\$34,347,580	9.62%
	<i>University of MD, Eastern Shore</i>	\$1,648,010	11.82%	\$2,466,061	15.72%
	<i>University of MD, University College</i>	\$2,143,357	3.05%	\$10,253,094	13.28%
	STATEWIDE TOTAL	\$218,575,802	6.15%	\$281,637,271	9.02%

Vendor Registration

Online vendor registration for the SBR is developed and maintained by DGS's Business Program Office. The agency is also responsible for ensuring that all vendors are legitimately qualified to participate in the program. Small businesses requiring assistance with the registration process have access to an SBR Help Desk via a toll-free phone line during regular business hours.

As part of the quality control process, DGS will 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 warrant an investigation.

SBR agencies are required to develop an annual SBR strategic plan 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% 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 the enactment of the budget bill 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 no later than September 30th each year.

Implementation

The SBR Program is administered jointly by DGS and GOMA. In general, DGS and GOMA have the following responsibilities in implementing and administering the program:

- DGS is generally responsible for managing the program's business registration and certification process; maintaining the directory of certified SBR vendors; auditing of firms to ensure that only qualified small businesses are on the certified list; and conducting a marketing program to increase the number of SBR's, specifically targeting under-represented industrial categories.
- GOMA is responsible for monitoring and collecting data to ensure compliance with the SBR Program goal among participating State agencies; providing training and technical assistance to agency personnel; conducting quarterly liaison meetings; serving as an advocate for small businesses; and promoting the SBR Program throughout the business community.

It should be noted that SBR law does not require a small business to be registered in the program at the time of bid/proposal submission. Registration may occur any time prior to final contract award. Implementation regulations allow agencies to count incidental SBR expenditures toward the 10% 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 awarded 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.

Future Outlook

GOMA and DGS are continuously evaluating the SBR Program's effectiveness and seeking ways to generate greater participation. In FY2014, GOMA and DGS will look for ways to increase SBR designated expenditures and address the recommendations in the 2013 SBR legislative study. Priorities include:

- Extending the recent SBR criteria change to allow for the collection of additional data to determine if the change has had a positive impact on the overall SBR goal for the State.
- Extending the certification renewal term from the current one year to two years to make it easier for registrants to remain in the Program and increase participation.
- Requiring that each of the 23 agencies that participate in the SBR Program designate an SBR Liaison and making a directory of these individuals available on the DBS and GOMA websites.
- Publishing agency SBR strategic plans to GOMA's website.



Connecting small, minority- and women-owned businesses to State contracting and procurement opportunities through the Minority Business Enterprise (MBE) and Small Business Reserve (SBR) programs.

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