

Small Business Reserve Program Report

Fiscal Year 2014



Martin O'Malley
Governor

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Message from Special Secretary Hurley

Dear Friends:

Maryland's Small Business Reserve (SBR) Program has reached a major milestone. After experiencing significant increases in payments and participation last fiscal year, we have exceeded the program's 10% goal for the first time, reaching 11.8% participation in Fiscal Year 2014, a 31% increase. Payments to SBR vendors grew by 19.7%, increasing from \$281 million in FY2013 to \$441 million in FY2014.

The SBR Program gives qualified small business owners the opportunity to increase capacity by performing as prime contractors with the 23 participating agencies. 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 8.8%, increasing from 5,685 in FY2013 to 6,183 in FY2014.

In our efforts to engage more small businesses in state contracting, GOMA is posting agency forecasts for SBR awards on our website. These fiscal year procurement reports will help you compete more effectively by identifying which agencies buy what you sell and with what frequency. In addition, each participating agency will appoint an SBR Liaison in 2015 to help maximize SBR designated contracts and assist small businesses in navigating the procurement process as we work to increase SBR designations and spending across all participating agencies.

Small business is the backbone of Maryland's economy and it is my pleasure to share the FY2014 Small Business Reserve Program Report with you.

Sincerely,

Zenita Wickham Hurley
Special Secretary

Small Business Reserve (SBR) Program

Fiscal Year 2014 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 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 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 standards as defined by average gross sales and number of employees, 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.

Effective October 1, 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. 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 criteria change, DGS should review its online registration process and require vendors to submit the documentation currently mandated for the random auditing of firms. These vendor submissions should be made via

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

Administrative Audit within a certain amount of time after registering on eMarylandMarketplace.

- Increase outreach efforts, led by DGS and GOMA, in collaboration with sister agencies, to promote and market the Program and thereby, increase the number of SBR vendors in the registry, particularly in 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.

As of this report, outreach efforts have been increased and regulations have been modified, requiring each participating Agency/Department to appoint an SBR Liaison.

Currently, the SBR Program includes 23 state agencies and departments that must comply with program requirements. Small businesses that 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
2. Education
3. Environment

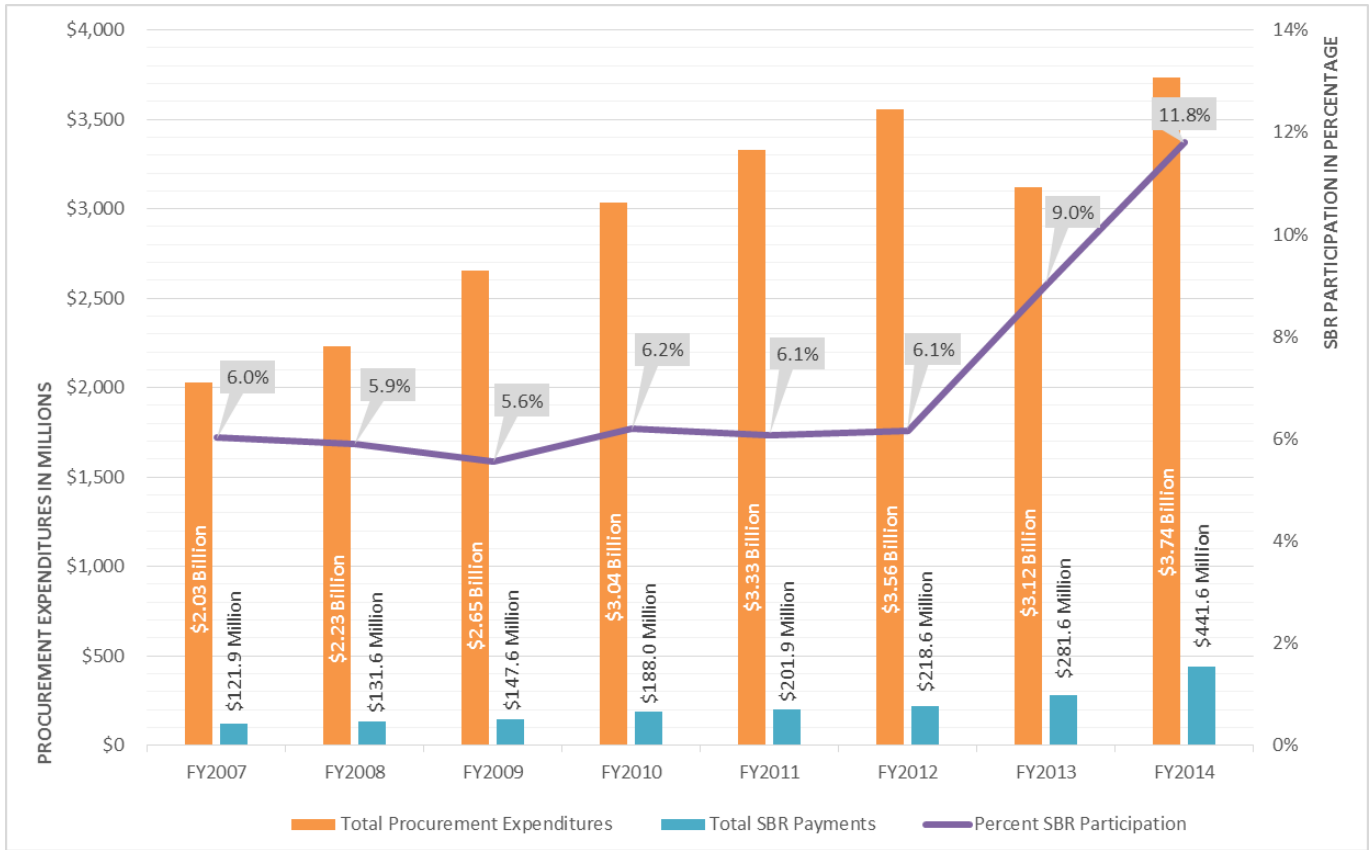
4. General Services
5. Health & Mental Hygiene
6. Housing & Community Development
7. Human Resources
8. Information Technology
9. Insurance Administration
10. Juvenile Services
11. Labor, Licensing & Regulation
12. Lottery Agency
13. Morgan State University
14. Natural Resources
15. Public Safety & Correctional Services
16. Retirement Agency
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 Commission
21. Maryland Transportation Authority
22. Treasurer's Office
23. University System of Maryland
Bowie State University
Coppin State University
Frostburg State University
Towson University
University of Baltimore
University of MD, Baltimore
University of MD, College Park
University of MD, Eastern Shore
University of MD, University College

Payment Activity

Exhibit 1: FY2014 SBR Payments by Participating Agency/Department

	SBR Participating Agency/Department	SBR Payments	Total Payments	SBR Participation
1	Business & Economic Development	\$2,329,642	\$4,614,563	50.48%
2	Education	\$25,495,874	\$102,476,066	24.88%
3	Environment	\$2,065,456	\$12,692,687	16.27%
4	General Services	\$24,753,321	\$63,772,338	38.82%
5	Health & Mental Hygiene	\$19,579,384	\$235,289,601	8.32%
6	Housing & Community Development	\$4,338,128	\$19,843,091	21.86%
7	Human Resources	\$16,821,704	\$123,237,343	13.65%
8	Information Technology	\$11,438,808	\$72,546,992	15.77%
9	Insurance Administration	\$249,811	\$2,059,753	12.13%
10	Juvenile Services	\$6,496,932	\$100,620,314	6.46%
11	Labor, Licensing & Regulation	\$5,143,447	\$23,596,484	21.80%
12	Lottery	\$5,799,722	\$122,040,505	4.75%
13	Morgan State University	\$2,871,678	\$44,488,506	6.45%
14	Natural Resources	\$3,407,047	\$22,079,306	15.43%
15	Public Safety & Correctional Services	\$16,172,960	\$237,613,359	6.81%
16	Retirement	\$412,431	\$2,956,086	13.95%
17	Stadium Authority	\$4,129,347	\$13,820,538	29.88%
18	State Police	\$5,179,661	\$27,027,349	19.16%
19	Transportation (<i>Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration</i>)	\$152,020,313	\$1,654,228,154	9.19%
20	Maryland Port Commission			
21	Maryland Transportation Authority			
22	Treasurer's Office	\$105,492	\$3,421,861	3.08%
23	University System of Maryland	\$132,781,443	\$847,540,324	15.67%
	<i>Bowie State University</i>	\$2,971,251	\$13,411,760	22.15%
	<i>Coppin State University</i>	\$1,615,498	\$10,598,169	15.24%
	<i>Frostburg State University</i>	\$2,896,200	\$13,391,831	21.63%
	<i>Salisbury State University</i>	\$3,432,431	\$16,013,046	21.44%
	<i>Towson University</i>	\$12,054,264	\$61,518,465	19.59%
	<i>University of Baltimore</i>	\$1,757,517	\$12,975,250	13.55%
	<i>University of MD, Baltimore</i>	\$13,388,496	\$224,260,593	5.97%
	<i>University of MD, Baltimore County</i>	\$7,130,890	\$39,550,706	18.03%
	<i>University of MD, College Park</i>	\$47,969,704	\$349,021,035	13.74%
	<i>University of MD, Eastern Shore</i>	\$1,471,709	\$14,417,979	10.21%
	<i>University of MD, University College</i>	\$38,093,483	\$92,381,490	41.23%
	STATEWIDE TOTAL	\$441,592,601	\$3,735,965,220	11.82%

Exhibit 2: FY2007–FY2014 SBR Payments by Participating Agency/Department



FY2013 to FY2014	Aggregate dollars increased by 19.67% (from \$286.6 million to \$441.6 million).
FY2007 to FY2014	Aggregate dollars increased by 84.4% (from \$121.9 million to \$441.6 million).

Exhibit 3: FY2012 – FY2014 Payments by Participating Agency/Department

	SBR Participating Agency/Department	FY2012 SBR Payments	FY2012 SBR Participation	FY2013 SBR Payments	FY2013 SBR Participation	FY2014 SBR Payments	FY2014 SBR Participation
1	Business & Economic Development	\$606,446	10.19%	\$3,005,425	34.76%	\$2,329,642	50.48%
2	Education	\$9,290,533	8.86%	\$14,158,401	18.77%	\$25,495,874	24.88%
3	Environment	\$4,577,072	31.53%	\$2,284,867	26.33%	\$2,065,456	16.27%
4	General Services	\$16,228,787	16.93%	\$13,572,916	17.69%	\$24,753,321	38.82%
5	Health & Mental Hygiene	\$14,222,454	3.14%	\$14,223,556	4.15%	\$19,579,384	8.32%
6	Housing & Community Development	\$1,870,897	20.99%	\$1,494,117	9.57%	\$4,338,128	21.86%
7	Human Resources	\$12,695,423	2.33%	\$13,785,787	9.19%	\$16,821,704	13.65%
8	Information Technology	\$7,323,143	8.75%	\$5,140,226	15.02%	\$11,438,808	15.77%
9	Insurance Administration	\$114,253	7.34%	\$245,646	14.60%	\$249,811	12.13%
10	Juvenile Services	\$3,883,271	3.53%	\$4,965,837	4.81%	\$6,496,932	6.46%
11	Labor, Licensing & Regulation	\$2,728,753	8.02%	\$2,777,472	10.88%	\$5,143,447	21.80%
12	Lottery	\$3,195,634	2.91%	\$7,690,138	11.56%	\$5,799,722	4.75%
13	Morgan State University	\$2,811,666	10.03%	\$3,167,915	9.95%	\$2,871,678	6.45%
14	Natural Resources	\$4,158,479	11.36%	\$3,531,083	11.37%	\$3,407,047	15.43%
15	Public Safety & Correctional Services	\$11,671,347	4.22%	\$11,347,681	4.35%	\$16,172,960	6.81%
16	Retirement	\$296,021	2.92%	\$237,459	5.01%	\$412,431	13.95%
17	Stadium Authority	\$3,123,799	25.29%	\$2,611,559	20.23%	\$4,129,347	29.88%
18	State Police	\$4,636,459	12.93%	\$2,973,361	9.35%	\$5,179,661	19.16%
19	Transportation (Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)	\$66,746,046	7.39%	\$94,140,597	8.70%	\$152,020,313	9.19%
20	Maryland Port Commission						
21	Maryland Transportation Authority						
22	Treasurer's Office	\$37,462	1.24%	\$49,585	1.42%	\$105,492	3.08%
23	University System of Maryland	\$48,357,857	7.07%	\$80,242,643	10.65%	\$847,540,324	15.67%
	<i>Bowie State University</i>	\$1,769,756	11.33%	\$2,189,940	18.25%	\$2,971,251	22.15%
	<i>Coppin State University</i>	\$1,329,310	7.05%	\$1,463,062	11.84%	\$1,615,498	15.24%
	<i>Frostburg State University</i>	\$2,796,665	20.36%	\$4,087,072	32.87%	\$2,896,200	21.63%
	<i>Salisbury State University</i>	\$2,432,845	16.97%	\$1,684,074	16.88%	\$3,432,431	21.44%
	<i>Towson University</i>	\$3,904,930	6.29%	\$7,196,347	12.98%	\$12,054,264	19.59%
	<i>University of Baltimore</i>	\$860,593	6.99%	\$1,839,383	13.65%	\$1,757,517	13.55%
	<i>University of MD, Baltimore</i>	\$4,679,542	3.24%	\$11,358,125	7.39%	\$13,388,496	5.97%
	<i>University of MD, Baltimore County</i>	\$2,321,723	12.93%	\$3,357,904	9.86%	\$7,130,890	18.03%
	<i>University of MD, College Park</i>	\$24,471,126	8.15%	\$34,347,580	9.62%	\$47,969,704	13.74%
	<i>University of MD, Eastern Shore</i>	\$1,648,010	11.82%	\$2,466,061	15.72%	\$1,471,709	10.21%
	<i>University of MD, University College</i>	\$2,143,357	3.05%	\$10,253,094	13.28%	\$38,093,483	41.23%
	STATEWIDE TOTAL	\$218,575,802	6.15%	\$281,637,271	9.02%	\$441,592,601	11.82%

Exhibit 4: FY2014 Detailed Payments by Participating Agency/Department

	SBR Participating Agency/Department	SBR Designated Procurement Expenditures^	SBR Incidental Procurement Expenditures#	SBR P-Card Expenditures	SBR GRAND TOTAL	FY14 Total Expenditures	FY14 SBR Participation
1	Business & Economic Development	\$339,918	\$1,984,124	\$5,600	\$2,329,642	\$4,614,563	50.48%
2	Education	\$123,471	\$25,241,966	\$130,437	\$25,495,874	\$102,476,066	24.88%
3	Environment	\$366,025	\$1,650,913	\$48,518	\$2,065,456	\$12,692,687	16.27%
4	General Services	\$1,931,433	\$22,685,785	\$136,103	\$24,753,321	\$63,772,338	38.82%
5	Health & Mental Hygiene	\$4,942,804	\$12,366,749	\$2,269,831	\$19,579,384	\$235,289,601	8.32%
6	Housing & Community Development	\$713,802	\$3,423,226	\$201,100	\$4,338,128	\$19,843,091	21.86%
7	Human Resources	\$2,412,328	\$14,309,195	\$100,181	\$16,821,704	\$123,237,343	13.65%
8	Information Technology	\$52,618	\$11,386,190	\$0	\$11,438,808	\$72,546,992	15.77%
9	Insurance Administration	\$0	\$249,592	\$219	\$249,811	\$2,059,753	12.13%
10	Juvenile Services	\$247,700	\$5,881,740	\$367,492	\$6,496,932	\$100,620,314	6.46%
11	Labor, Licensing & Regulation	\$2,190,614	\$2,370,602	\$582,231	\$5,143,447	\$23,596,484	21.80%
12	Lottery	\$283,203	\$5,228,018	\$288,501	\$5,799,722	\$122,040,505	4.75%
13	Morgan State University	\$21,700	\$2,174,550	\$675,428	\$2,871,678	\$44,488,506	6.45%
14	Natural Resources	\$819,080	\$2,119,873	\$468,094	\$3,407,047	\$22,079,306	15.43%
15	Public Safety & Correctional Services	\$3,062,743	\$9,808,881	\$3,301,336	\$16,172,960	\$237,613,359	6.81%
16	Retirement	\$101,721	\$278,546	\$32,164	\$412,431	\$2,956,086	13.95%
17	Stadium Authority	\$3,277,925	\$813,038	\$38,384	\$4,129,347	\$13,820,538	29.88%
18	State Police	\$4,712,962	\$137,249	\$329,450	\$5,179,661	\$27,027,349	19.16%
19	Transportation (Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)	\$24,325,084	\$124,886,635	\$2,808,594	\$152,020,313	\$1,654,228,154	9.19%
20	Maryland Port Commission						
21	Maryland Transportation Authority						
22	Treasurer's Office	\$0	\$91,878	\$13,614	\$105,492	\$3,421,861	3.08%
23	University System of Maryland	\$19,874,263	\$100,258,333	\$12,648,847	\$132,781,443	\$847,540,324	15.67%
	<i>Bowie State University</i>	\$1,211,970	\$1,733,594	\$25,687	\$2,971,251	\$13,411,760	22.15%
	<i>Coppin State University</i>	\$323,639	\$1,116,384	\$175,475	\$1,615,498	\$10,598,169	15.24%
	<i>Frostburg State University</i>	\$36,883	\$2,559,969	\$299,348	\$2,896,200	\$13,391,831	21.63%
	<i>Salisbury State University</i>	\$488,330	\$2,353,699	\$590,402	\$3,432,431	\$16,013,046	21.44%
	<i>Towson University</i>	\$622,291	\$9,963,864	\$1,468,109	\$12,054,264	\$61,518,465	19.59%
	<i>University of Baltimore</i>	\$232,226	\$1,019,867	\$505,424	\$1,757,517	\$12,975,250	13.55%
	<i>University of MD, Baltimore</i>	\$2,421,858	\$7,701,840	\$3,264,798	\$13,388,496	\$224,260,593	5.97%
	<i>University of MD, Baltimore County</i>	\$0	\$5,425,736	\$1,705,154	\$7,130,890	\$39,550,706	18.03%
	<i>University of MD, College Park</i>	\$13,955,295	\$30,007,514	\$4,006,895	\$47,969,704	\$349,021,035	13.74%
	<i>University of MD, Eastern Shore</i>	\$0	\$1,119,489	\$352,220	\$1,471,709	\$14,417,979	10.21%
	<i>University of MD, University College</i>	\$581,771	\$37,256,377	\$255,335	\$38,093,483	\$92,381,490	41.23%
	STATEWIDE TOTAL	\$69,799,394	\$347,347,083	\$24,446,124	\$441,592,601	\$3,735,965,220	11.82%

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 a 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.

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.

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% or more 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.

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. In FY14, nearly 80% of all SBR expenditures were incidental (see Exhibit 4).



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