Fiscal Year 2012
(July 1, 2011 to June 30, 2012)

Small Business Reserve Program (SBR) Report

MARYLAND
GOVERNOR'S OFFICE OF MINORITY AFFAIRS

Martin O'Malley, *Governor*
Anthony G. Brown, *Lieutenant Governor*
Zenita Wickham Hurley, *Special Secretary*

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GOVERNOR'S OFFICE OF MINORITY AFFAIRS

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Message from the Special Secretary

Maryland's economy is powered by the nation's top public schools, a strategic location and a highly-skilled workforce. These strengths make us a world leader in advanced technology, defense systems and health sciences. Our small business owners are a significant part of the engine that drives our economy. They are the largest source of private employment and the progress of our State depends on their growth and prosperity.

Maryland's Small Business Reserve (SBR) Program was developed to help small business owners thrive. It creates a unique competitive environment where small businesses compete against other small businesses for designated procurements issued by 23 State agencies. In FY2012, SBR participants were awarded $218,575,802 through this program – an 8.2% increase from the previous year.

In partnership with the Maryland Department of General Services, 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. On behalf of the O'Malley-Brown administration, the Governor's Office of Minority Affairs is pleased to share the progress and performance of the SBR Program with this FY2012 report.

Sincerely,

Zenita Wickham Hurley
Special Secretary

Small Business Reserve (SBR) Program
Fiscal Year 2012 Report

Program Overview

Maryland's Small Business Reserve (SBR) Program is a race- and gender-neutral program that provides small businesses 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).

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
    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

Payment Activity

During FY2012, the 23 participating SBR agencies achieved 6.15% SBR utilization collectively. During the same period, SBR firms received a total of $218 million in payments compared to $202 million in FY2011, representing an 8.2% increase. Over the past six years, SBR payments increased by 79% (from $122 million in FY2007 to $218 million in FY2011). Statistical details are provided in the following exhibits.

Exhibit 1: Total SBR Payments by Participating Agencies for FY2012

	AGENCY NAME	FY2012 SBR Expenditures	FY2012 Total Procurement Expenditures	FY2012 Agency SBR Percentage
1	Business & Economic Development	$606,446	$5,949,137	10.19%
2	Education	$9,290,533	$104,830,018	8.86%
3	Environment	$4,577,072	$14,515,777	31.53%
4	General Services	$16,228,787	$95,848,877	16.93%
5	Health & Mental Hygiene	$14,222,454	$452,822,746	3.14%
6	Housing & Community Development	$1,870,897	$8,914,608	20.99%
7	Human Resources	$12,695,423	$544,357,770	2.33%
8	Information Technology	$7,323,143	$83,678,023	8.75%
9	Insurance Administration	$114,253	$1,556,224	7.34%
10	Juvenile Services	$3,883,271	$109,888,015	3.53%
11	Labor, Licensing & Regulation	$2,728,753	$34,013,737	8.02%
12	Lottery	$3,195,634	$109,784,937	2.91%
13	Morgan State University	$2,811,666	$28,040,647	10.03%
14	Natural Resources	$4,158,479	$36,620,745	11.36%
15	Public Safety & Correctional Services	$11,671,347	$276,468,089	4.22%
16	Retirement	$296,021	$10,147,174	2.92%
17	Stadium Authority	$3,123,799	$12,352,699	25.29%
18	State Police	$4,636,459	$35,862,132	12.93%
19	Transportation *(Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)*	$66,746,046*	$902,779,078*	7.39%*
20	Maryland Port Commission			
21	Maryland Transportation Authority			
22	Treasurer's Office	$37,462	$3,012,853	1.24%

	AGENCY NAME	FY2012 SBR Expenditures	FY2012 Total Procurement Expenditures	FY2012 Agency SBR Percentage
23	University System of Maryland	$48,357,857	$683,631,090	7.07%
	Bowie State University	*$1,769,756*	*$15,615,987*	*11.33%*
	Coppin State University	*$1,329,310*	*$18,857,403*	*7.05%*
	Frostburg State University	*$2,796,665*	*$13,737,298*	*20.36%*
	Salisbury State University	*$2,432,845*	*$14,333,189*	*16.97%*
	Towson University	*$3,904,930*	*$62,107,758*	*6.29%*
	University of Baltimore	*$860,593*	*$12,307,316*	*6.99%*
	University of MD, Baltimore	*$4,679,542*	*$144,237,177*	*3.24%*
	University of MD, Baltimore County	*$2,321,723*	*$17,962,261*	*12.93%*
	University of MD, College Park	*$24,471,126*	*$300,232,697*	*8.15%*
	University of MD, Eastern Shore	*$1,648,010*	*$13,940,708*	*11.82%*
	University of MD, University College	*$2,143,357*	*$70,299,296*	*3.05%*
	STATEWIDE TOTAL	**$218,575,802**	**$3,555,074,376**	**6.15%**

*The total for the Maryland Department of Transportation includes the entire agency even though the law designates them as three separate SBR units.

Exhibit 2: SBR Payments from FY2007 to FY2012

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
2012	$ 3,555,074,376	$ 218,575,802

FY 2011 to FY 2012	Aggregate dollars increased by 8.2 percent. (from $201 million to $218 million)
FY 2007 to FY 2012	Aggregate dollars increased by 79 percent. (from $122 million to $218 million)

Exhibit 3: Percentage of Expenditures Reported by Participating Agencies (FY2011–FY2012)

	AGENCY NAME	FY2011 SBR Expenditures	FY2011 Agency SBR	FY2012 SBR Expenditures	FY2012 Agency SBR
1	Business & Economic Development	$920,281	14.3%	$606,446	10.19%
2	Education	$6,768,204	9.5%	$9,290,533	8.86%
3	Environment	$2,956,418	22.0%	$4,577,072	31.53%
4	General Services	$16,663,705	11.7%	$16,228,787	16.93%
5	Health & Mental Hygiene	$6,368,535	3.1%	$14,222,454	3.14%
6	Housing & Community Development	$1,783,738	23.0%	$1,870,897	20.99%
7	Human Resources	$13,898,204	2.6%	$12,695,423	2.33%
8	Information Technology	$3,699,981	13.2%	$7,323,143	8.75%
9	Insurance Administration	$127,059	12.1%	$114,253	7.34%
10	Juvenile Services	$2,884,929	2.8%	$3,883,271	3.53%
11	Labor, Licensing & Regulation	$2,752,236	8.7%	$2,728,753	8.02%
12	Lottery	$2,679,478	5.4%	$3,195,634	2.91%
13	Morgan State University	$1,131,136	3.0%	$2,811,666	10.03%
14	Natural Resources	$4,307,017	14.2%	$4,158,479	11.36%
15	Public Safety & Correctional Services	$13,870,259	4.3%	$11,671,347	4.22%
16	Retirement	$355,178	4.4%	$296,021	2.92%
17	Stadium Authority	$2,318,889	16.3%	$3,123,799	25.29%
18	State Police	$4,580,326	5.6%	$4,636,459	12.93%
19 20 21	Transportation *(Includes The Secretary's Office, Maryland Aviation Administration, Maryland Transit Administration, Motor Vehicle Administration and State Highway Administration)* Maryland Port Commission Maryland Transportation Authority	$65,903,400*	8.1%*	$66,746,046*	7.39%*
22	Treasurer's Office	$485,989	26.8%	$37,462	1.24%
23	University System of Maryland	$47,491,992	5.7%	$48,357,857	7.07%
	Bowie State University	*$1,418,519*	*10.7%*	*$1,769,756*	*11.33%*
	Coppin State University	*$2,084,099*	*10.2%*	*$1,329,310*	*7.05%*
	Frostburg State University	*$1,357,439*	*9.4%*	*$2,796,665*	*20.36%*
	Salisbury State University	*$3,131,014*	*23.2%*	*$2,432,845*	*16.97%*
	Towson University	*$4,497,800*	*7.1%*	*$3,904,930*	*6.29%*
	University of Baltimore	*$1,173,781*	*9.4%*	*$860,593*	*6.99%*
	University of MD, Baltimore	*$4,389,274*	*2.0%*	*$4,679,542*	*3.24%*
	University of MD, Baltimore County	*$2,080,013*	*6.8%*	*$2,321,723*	*12.93%*
	University of MD, College Park	*$23,310,746*	*6.3%*	*$24,471,126*	*8.15%*
	University of MD, Eastern Shore	*$1,686,927*	*9.9%*	*$1,648,010*	*11.82%*
	University of MD, University College	*$2,362,380*	*4.5%*	*$2,143,357*	*3.05%*
	STATEWIDE TOTAL	**$201,946,954**	**6.1%**	**$218,575,802**	**6.15%**

*The total for the Maryland Department of Transportation includes the entire agency even though the law designates them as three separate SBR units.

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 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 Maryland Board of Public Works (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 that 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.

Currently, the SBR program includes 23 state agencies and departments that must comply with the 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.

Vendor Registration

Online vendor registration for the SBR is developed and maintained by DGS's Business Programs Office. The agency is also responsible for ensuring that all vendors are legitimately qualified to participate in the program. 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.

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.

[1] *See* Code of Maryland Regulations (COMAR) 21.11.01.06.
[2] Md. Code Ann., State Fin. & Proc. Art. §14-501(c).

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

Historically, the SBR Program is administered jointly by DGS and GOMA. This joint administrative effort has been recognized since the program's inception by not only DGS, GOMA, BPW, but also the participating agencies. 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 small businesses; and auditing of firms to ensure that only qualified small businesses are on the certified list.
- GOMA is generally responsible for program oversight and compliance in the areas of training and technical assistance necessary for agencies to successfully implement the program; monitoring of agencies' procurement activity to ensure that the program is utilized to the fullest extent possible and that all SBR reporting requirements are met; as well as acting as an advocate for SBR firms.

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 towards 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 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.

MARYLAND

GOVERNOR'S OFFICE OF MINORITY AFFAIRS

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.

6 Saint Paul Street, Suite 1502
Baltimore, MD 21202
410-767-8232 / 1-877-558-0998
www.mdminoritybusiness.com