

Martin O'Malley, Governor and Anthony G. Brown, Lieutenant Governor

SMALL BUSINESS RESERVE PROGRAM (SBR)

vs. Small Business Preference Program

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SMALL BUSINESS RESERVE PROGRAM (SBR)

What it is!

How it works!

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Small Business Preference

- A Small Business Preference program has existed for years.
 - Is restricted to procurements conducted by:
 - **The Departments of Transportation, Public Safety & Corrections, and General Services**
 - Involves sealed bidding procurements only
 - Involves a Price Preference of up to 5% of the price of the lowest bidder
 - Does not prevent non-small businesses from bidding.

Small Business Reserve (SBR) Overview

- 22 State agencies must participate
- Expires 9/30/2007 if not extended by legislature
- 10% of the value of most annual expenditures is to be reserved
- Certification done via internet in 15 minutes
- OMA responsible for its success

SBR vs. Preference Program

- ❑ The Reserve Program provides no price preference
- ❑ Instead, it “reserves” participation in a designated procurement to ***Certified*** small businesses
- ❑ Within the Reserve there is competition
 - But it is only among certified small businesses

"Reserve" Means What it Says

- Before an award is made businesses must be certified as a small business
- Nothing changes about the procurement process
 - Only limitation is on which businesses can seek the award
 - Everything else about the procurement is done the way it normally would be done

Prime vs. Subcontracting

- This program is designed for prime contracting opportunities.

22 Participating Agencies

□ Departments of:

- Budget & Management
- Business & Economic Development
- Education
- Environment
- General Services
- Health & Mental Hygiene

□ Departments of:

- Housing & Community Development
- Human Resources
- Juvenile Services
- Labor, Licensing & Regulation
- Natural Resources

22 Participating Agencies (Cont'd)

- Departments of:
 - Public Safety & Correctional Services
 - Transportation
 - Port
 - State Police
- Independent Agencies
 - Insurance Administration
 - Lottery
 - Morgan University
 - Stadium Authority
 - State Retirement
 - State Treasurer
 - University System of MD

What does Certification Involve?

- Small businesses can become certified through the DGS website
 - Visit www.dgs.state.md.us & click on the Small Business Reserve button
 - Self-certification based on the “honor” system
 - Must legally affirm that information provided is accurate

More on Certification

- ❑ Certification lasts for 1 year
- ❑ Must re-certify by anniversary date
- ❑ Must report any change in ownership
- ❑ Eligibility checked prior to contract award:
 - If certification not valid, no award
 - Other sanctions may result

Verification of Small Business Status

- SBR businesses are subject to periodic eligibility validation via:
 - Random audits by DGS or agency staff
 - Allegations of non-eligibility raised by competitors under a procurement
 - Usually results in requests for comprehensive documentation, including tax records

What is a Small Business under the SBR?

☐ Restrictions:

- Not a broker
- Not dominant in field
- Independently owned & operated
- Not subsidiary of another business

☐ Segmented into:

- Construction;
- Manufacturing;
- Retail
- Services; or
- Wholesale;

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What is a Small Business?

(Cont'd)

BUSINESS CATEGORY	MAX. 3 YEARS AVG. SALES	MAX. AVERAGE # EMPLOYEES
Construction	\$7 Million	50
Manufacturing	\$2 Million	100
Service	\$2 Million	100
Wholesale	\$2 Million	50
Retail	\$2 Million	25

Failure is not an option.

- There is no provision for waivers or non-accomplishment
- It isn't an average of the expenditures of all 22 agencies
 - Agencies which might exceed the 10% requirement can't substitute for agencies that don't meet the Requirement
 - Each agency must meet the Requirement on its own

Small Business Reserve (SBR) recap

- ❑ Competition limited to small business
- ❑ Certify on web at www.dgs.state.md.us
- ❑ Provides prime contracting opportunities for small, minority and women owned business
- ❑ Available through 22 participating state agencies
- ❑ 10% of these agency's procurement dollars must be spent through the SBR program

Small Business Preference recap

- ❑ No restrictions on competition
- ❑ Certify on web at www.dgs.state.md.us
- ❑ Provides 5% price preference for certified small business on state low bid contracts
- ❑ 3 participating state agencies: DGS, MDOT, and University of Maryland
- ❑ Agencies determine the level of use of the program

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