



**Anne Arundel County Public Schools**  
***Minority and Small Business Enterprise Utilization***  
**Report for Fiscal Year 2018**

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**ANNE ARUNDEL**  
**COUNTY PUBLIC SCHOOLS**

## **1. Mission & Purpose Statement**

The mission and purpose of the Minority Small Business Enterprise (MSBE) Office is to administer and conduct a MSBE program for the delivery of services and products. Anne Arundel County Public Schools (AACPS) is committed to increasing the participation of minority and small business enterprises in providing goods and services to the school district. The use of a MSBE program has an indirect impact on the educational outcomes of our students through improved economic conditions within the county. The success of the MSBE program supports a stronger community and better schools.

## **2. Executive Summary**

Anne Arundel County Public Schools is pleased to present the MSBE Annual Report for Fiscal Year 2018.

The MSBE program's goals are to increase contract awards to minority and small businesses and to increase minority and small business participation in total expenditures.

- In Fiscal Year 2018, \$44,447,581 million or 31.6% of State-funded capital projects were awarded to Minority Business Enterprise (MBE) prime contractors and subcontractors.
- The 11-year historical trend shows an 53.4% increase in all construction and maintenance projects from Fiscal Year 2008 to Fiscal Year 2018. In Fiscal Year 2018, 29.0% of contract awards in this category were made to MBE prime contractors and subcontractors compared to only 18.9% in Fiscal Year 2008.
- The Compliance Monitoring Program continues to show a high degree of contract compliance with MBE participation in construction and maintenance projects.

### 3. Accomplishments & Goals

#### Fiscal Year 2017 Accomplishments

- Expanded training for vendors on successful bidding with AACPS
- Increased the percentage of dollars awarded to MBE Architects and Engineers
- Educated contractors about the new Senate Bill 309-State Finance and Procurement-Small and Minority Business Participation
- Provided training on how to complete the newly revised Attachment B Form required by Senate Bill 309

#### Fiscal Year 2018 Goals

- Continue marketing the MSBE Office through active counseling, training, and attendance at state-wide events, trade shows, and fairs
- Continue to enhance contractor's abilities to comply with MBE requirements
- Develop partnerships with various government agencies, local businesses, and community groups in an effort to reduce barriers to minority and small business participation in procurement opportunities
- Update the MSBE website to provide guidance and fillable electronic MBE forms

### 4. Updates to MBE Legislation/Requirements

Senate bill 309-State Finance and Procurement-Small and Minority Business Participation was approved effective October 1, 2017.

This Bill clarified what constitutes good cause for the purpose of removing a certified minority business enterprise after the execution of a contract; prohibiting the failure of a certified minority business to provide a certain bond from being considered nonperformance.

A vendor now apply only 60% of the costs of the materials and supplies provided by the certified MBE if the certified MBE is a regular dealer for purposes of achieving the minority business enterprise contract goal.

The MSBE Office received a directive to proceed, along with revised MBE forms addressing this change from the Interagency Committee (IAC) on November 1, 2017, and therefore, was implemented at AACPS effective November 1, 2017. AACPS is working with the IAC and Governor's Office of Small, Minority & Women's Affairs (GOSBA) to ensure that the change in the law is communicated to the contracting world accurately and

completely. GOSBA is charged with collecting data and reporting the performance outcomes of the agencies/departments participating in the MBE Program, including AACPS. GOSBA proactively educates MBE liaisons on best practices and works directly with agency leadership to ensure maximum inclusion of small, minority and women-owned businesses within the state contracting arena.

## 5. Analysis of Data and Contract Activity for Capital Projects

### **MBE Goal-Setting Process for Capital and Maintenance Projects**

State regulations require Local Education Agencies (LEA) to review and analyze the project or type of work and determine the potential for certified minority businesses to subcontract on projects. Individual project goals are established on a case-by-case basis based on historical participation and vendor availability factors.

Goals for capital and maintenance projects are based on at least three types of analysis:

- (1) A weighted average analysis is performed on data derived from the Maryland Department of Transportation (MDOT) directory and the Department of Labor, Licensing and Regulations (DLLR) comparing the number of MBEs certified in a particular construction division with the number of total contractors by county.
- (2) Historical data of MBE achievement on similar projects.
- (3) Recommendations from the Director of Facilities; Supervisor of Maintenance; Supervisor of Planning, Design, and Construction; Supervisor of Purchasing; Construction Manager's; and Purchasing Buyers taking into account the economic conditions and other factors that may impact each of the analyses conducted in sections (1) and (2).

The data from the MDOT directory and DLLR are important to monitor, since the information from many of these databases is fluid and can change on a daily basis. There are approximately 20 construction divisions used in these analyses.

### **State-Funded Projects**

During Fiscal Year 2018, the Capital Project budget awarded nine (9) major State-funded projects. The projects are listed in Table 1 below. The Procurement Review Committee established an MBE goal for each project using historical, accessible, and available data to arrive at a practical and achievable goal. Data was ascertained from MDOT, DLLR, and previous projects. The following data represents the result of the awarded bids:

**Table 1: State-Funded Major Capital Projects**

Name of Project	MBE Goal %	Sub Contractor's Award %	MBE Prime Contractor Award %	Total Awarded %	Total MBE \$ Awarded
Arundel Middle	25.0%	25.0%	0.0%	25.0%	\$795,800.00
Bodkin Elementary	29.0%	29.2%	0.0%	29.2%	\$1,135,976.00
Broadneck Elementary	25.0%	25.5%	0.0%	25.5%	\$391,000.00
Brock Bridge Elementary	29.0%	30.6%	0.0%	30.6%	\$849,422.38
Crofton Area High School	29.7%	30.3%	1.9%	32.2%	\$29,980,029.68
George Cromwell Elementary	30.2%	30.4%	0.0%	30.4%	\$7,849,137.00
Marley Elementary	29.0%	30.6%	0.0%	30.6%	\$849,422.38
Maryland City Elementary	29.0%	30.3%	0.0%	30.3%	\$1,008,563.00
Riveria Beach Elementary	29.0%	29.6%	0.0%	29.6%	\$744,786.60

In Fiscal Year 2018, AACPS awarded State-funded projects totaling \$140,570,651. Of the awarded State eligible projects, 1.7% (\$2,375,000) was awarded to MBE prime contractors and 29.9% (\$42,072,581) was awarded to minority businesses in sub-contracting opportunities totaling 31.6% (\$44,447,581) in MBE contracts awarded to prime and sub-contractors.

### **Capital Projects for Construction and Maintenance**

Table 2 provides an overview of total dollars awarded in Fiscal Year 2017 and Fiscal Year 2018 and provides a breakdown of awards to subcontractors for capital and maintenance projects by MBE classification. The data shows a decrease in total value of awards for construction and maintenance contracts in Fiscal Year 2018 compared with Fiscal Year 2017, which may be attributed to the decrease in funding opportunities.

Due to the process of awarding to the lowest responsible and responsive bidder, there is a tendency to see changes in the racial make-up of awardees from year to year. This can be attributed to the many different variables present in the market for bidding capital and maintenance projects, such as the timing of the bids and the number of projects being offered. Historically projects that are bid in the summer do not usually receive as many bidders, since many construction companies have already secured projects.

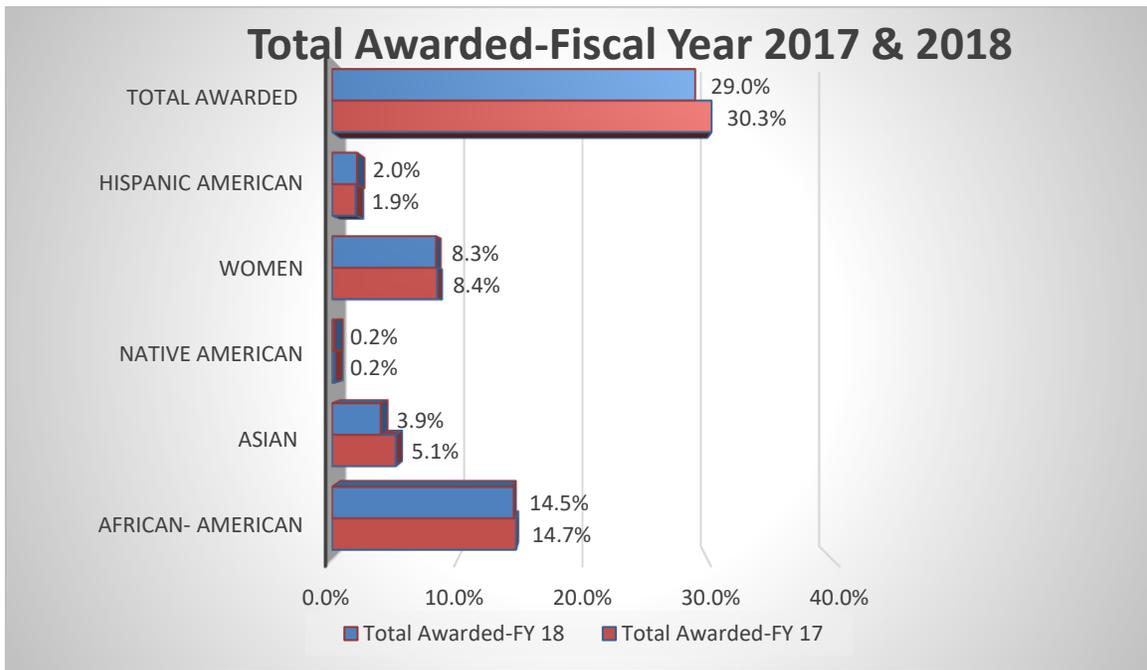
**Table 2: Subcontractor Contract Awards by MSBE Classification for Construction and Maintenance Capital Projects**

FY2018 MSBE Classification	Construction	% of Dollars Awarded	Maintenance	% of Dollars Awarded	Total	% of Total Dollars Awarded
African American	\$ 21,158,875	15.0%	\$ 441,767	5.8%	\$ 21,600,642	14.5%
Asian American	\$ 5,691,592	4.0%	\$ 141,614	1.8%	\$ 5,833,206	3.9%
Native American	\$ 371,230	0.3%	\$ 0.0	0.0%	\$ 371,230	0.2%
Women	\$ 11,687,989	8.3%	\$ 637,400	8.3%	\$ 12,325,389	8.3%
Hispanic American	\$ 2,824,685	2.0%	\$ 80,647	1.1%	\$ 2,905,332	2.0%
<b>Total MSBE Awarded</b>	<b>\$ 41,734,371</b>	<b>29.6%</b>	<b>\$ 1,301,428</b>	<b>17.0%</b>	<b>\$ 43,035,799</b>	<b>29.0%</b>
<b>Total Awarded</b>	<b>\$140,968,241</b>		<b>\$ 7,669,587</b>		<b>\$148,637,828</b>	

FY2017 MSBE Classification	Construction	% of Dollars Awarded	Maintenance	% of Dollars Awarded	Total	% of Total Dollars Awarded
African American	\$ 22,468,401	15.3%	\$ 1,444,891	9.2%	\$ 23,913,292	14.7%
Asian American	\$ 8,090,639	5.5%	\$ 307,338	2.0%	\$ 8,397,977	5.1%
Native American	\$ 308,560	0.2%	\$ 0.0	0.0%	\$ 308,560	0.2%
Women	\$ 12,371,293	8.4%	\$ 1,312,687	8.4%	\$ 13,683,980	8.4%
Hispanic American	\$ 2,963,987	2.0%	\$ 182,293	1.2%	\$ 3,146,180	1.9%
<b>Total MSBE Awarded</b>	<b>\$ 46,202,880</b>	<b>31.3%</b>	<b>\$ 3,247,209</b>	<b>18.1%</b>	<b>\$ 49,450,089</b>	<b>30.3%</b>
<b>Total Awarded</b>	<b>\$147,539,489</b>		<b>\$ 15,643,231</b>		<b>\$163,182,720</b>	

Graph 1 below shows the comparison of Fiscal Year 2017 and 2018 percentage of total dollars in Table 2 awarded by classifications. It should be noted that the largest percentage decrease occurred in the Asian American category. All other minority classifications generally remained stable.

**Graph 1: Percentage of Total Dollars Awarded by Classification**



**6. 11-Historical Year Trend**

**11-Year Historical Trend**

Trend data on the statistical changes that occurred over the past eleven (11) years with regard to minority participation was reviewed. Table 3 represents data comparing Fiscal Year 2008 with Fiscal Year 2018. This data reflects significant progress toward achieving the MBE goals. The *Percentage of Total Construction and Maintenance Dollars Awarded* to MBE primes and subcontractors has increased over the past eleven (11) years by 53.4%. This can be attributed to many variables, including changes to the State MBE regulations, as well as, communications and partnerships between the school district, prime contractors, and subcontractors. Enhanced accountability provisions and outreach efforts have also contributed to the increase.

**Table 3: 11-Historical Year Trend**

Description	FY2008	FY2018
Total Dollars Awarded	\$ 114,725,213	\$ 140,968,241
Total MBE Prime Awarded	\$ 0	\$ 2,375,000
Total Dollars Awarded to MBE Subcontracts	\$ 21,698,834	\$ 42,072,581
MBE Prime and Subcontractor as a Percentage of Total Dollars Awarded	18.9%	29.0%
Total MBE Awarded	\$ 21,698,834	\$ 44,447,581

**7. Architectural and Engineering Services**

The MBE goal for architectural and engineering projects has historically been set at 15%. Even though these areas require specific specialties, there are sub-consulting opportunities in many of these projects. We continue to encourage minority consultants to submit proposals and assist in developing relationships with veteran architects and engineers who have experience in school projects. These relationships can produce opportunities for minority consultants.

Table 4 represents MBE achievements in Architectural and Engineering projects comparing Fiscal Year 2017 to Fiscal Year 2018.

**Table 4: MBE Architects and Engineers Achievement**

Description	FY2018 \$ Awarded	FY2018 % of Total	FY2017 \$ Awarded	FY2017 % of Total
MBE Architecture	\$ 500,328	27%	\$ 2,731,328	20%
MBE Engineers	\$ 227,303	10%	\$ 371,095	14%
Total MBE Architects and Engineers	\$ 707,631	18%	\$ 3,102,423	19%
Total Dollars Awarded to Architect and Engineer Consultants	\$ 4,063,275		\$16,715,557	

## 8. Summary of MSBE Operating Dollars Expended

The MSBE program seeks to provide opportunities for minority and small business enterprises to maximize participation fully and fairly in contracting within all sources of funding. The Board of Education of Anne Arundel County sets the MSBE goal at 15% for materials, supplies, equipment, and services.

It should be recognized that there is significant spending in areas where MSBE competition is not readily available, including, but not limited to: textbooks, library books, utilities, water, sewage, landfill costs, proprietary software maintenance, and copiers. There are also other areas with large numbers of MSBE firms, but due to our volume requirements and open competition, there is no guarantee of a contract award. Volume requirements often render a small business not competitive.

Table 5 represents Fiscal Years 2014 through 2018 expenditures with MSBE vendors. Operating dollar expenditures include, but are not limited to: technology hardware, furniture, office supplies, training, and service contracts. The data analysis performed below shows an increase in MSBE participation in Fiscal Year 2018 compared with Fiscal Years 2017. This is mainly attributed to an increase in the purchase of new equipment and sensitive items. The MSBE Office continues to work with the Purchasing Office and other departments within AACPS regarding MSBE initiatives to determine ways to maximize areas where there are potential opportunities for MBE participation.

**Table 5: Operating MSBE Expenditures**

<b>Year</b>	<b>Total Expenditures</b>	<b>Operating MSBE Expenditures</b>	<b>MSBE Operating Expenditures as a % of Total Operating Expenditures</b>
<b>FY 2018</b>	<b>\$296,832,719</b>	<b>\$24,902,646</b>	<b>8.4%</b>
<b>FY2017</b>	<b>\$238,113,861</b>	<b>\$14,527,874</b>	<b>6.1%</b>
<b>FY2016</b>	<b>\$253,114,385</b>	<b>\$12,606,491</b>	<b>5.0%</b>
<b>FY2015</b>	<b>\$252,362,458</b>	<b>\$16,801,942</b>	<b>6.7%</b>
<b>FY2014</b>	<b>\$225,465,027</b>	<b>\$23,101,107</b>	<b>10.3%</b>

## 9. Small Business Program

The Small Business Reserve Program, as defined by the Department of General Services, is a component of MSBE. For Fiscal Years 2017 and 2018, there were nineteen (19) small business owners who registered with AACPS and provided goods and/or services, of which ten (10) conducted business in Fiscal Year 2018 and nine (9) in Fiscal Year 2017. As Table 6 shows, there was an increase in total expenditures in Fiscal Year 2018 as compared with Fiscal Year 2017 and an increase by one participant. The increase is mainly due to more procured services.

**Table 6: Small Business Program Summary**

Year	# of Registered Small Business Receiving Awards	Small Businesses Total Expenditures
FY2018	10	\$1,695,261
FY2017	9	\$ 990,260

## 10. Compliance Monitoring Program

The Compliance Monitoring Program ensures that prime contractors and subcontractors are adhering to the State of Maryland's MBE program requirements. The program includes reviewing financial transactions, conducting job site visits, document reviews, and interviewing primes and subcontractors to verify compliance with the MBE regulations. As a part of this review, any deviation from compliance standards is documented. If such deviations are not corrected, AACPS may sanction these contractors. MSBE Administrative Procedures identify the sanctions that may be instituted in accordance with established Purchasing Policies and Regulations. Significant irregularities require further investigation and any suspected fraud will be forwarded to GOSBA and MDOT for review.

State-funded projects valued at \$1,000,000 and above were randomly selected for compliance monitoring. Table 7 represents a summary of eight (8) monitored projects:

**Table 7: Compliance Monitoring**

Description	Project Costs	Project Completion Date	MBE Goal	MBE Achieved in Contract
Crofton Elementary School-Revitalization	\$19,496,304	02/21/2018	25.3%	27%
Georgetown East Elementary School-Kindergarten Addition	\$3,048,198	09/01/2017	29.0%	23.2%
Lothian Elementary School-Replacement	\$21,685,092	12/15/2017	25.6%	25.4%
Nantucket Elementary School-Kindergarten Addition	\$1,643,843	02/22/2018	29.0%	8.7%
North Glen Elementary School-Gym Addition	\$2,017,142	11/03/2017	29.0%	30.1%
Oakwood Elementary School-gym Addition	\$2,098,540	03/09/2018	29.0%	35.9%
Waugh Chapel Elementary School-Gym Addition	\$1,684,476	01/13/2018	25.0%	31.47%
West Annapolis Elementary-Modernization	\$16,819,764	10/27/2017	28.7%	27.5%

Due to continuous monitoring, AACPS has seen more cooperation from the prime and subcontractors in meeting the established goals. In addition, monitoring assisted in capturing a true picture of MBE contract compliance including, but not limited to, timely payment to MBE subcontractors, contract amounts were fully realized, and open and continual communication between contractors, the MSBE Office, and project managers. Projects where the MBE contract was not fully realized required an explanation as to the variance.

The MSBE Office continues to require Release of Liens (Partial Release of Lien & Final Release of Lien) forms requiring MBE subcontractors to confirm payments received.

**Table 8: Payment Report**

<b>Year</b>	<b>Total \$ Paid - All Prime Contracts</b>	<b>Total \$ Paid - MBE Prime &amp; MBE Subcontracts</b>	<b>% MBE Payments</b>	<b>MBE Prime Contracts \$ Paid</b>	<b>MBE Subcontracts \$ Paid</b>
<b>FY2018</b>	<b>\$112,903,724</b>	<b>\$36,032,663</b>	<b>31.91%</b>	<b>\$4,639,451</b>	<b>\$31,393,212</b>
<b>FY2017</b>	<b>\$ 81,569,210</b>	<b>\$20,444,648</b>	<b>25.06%</b>	<b>\$ 1,936,693</b>	<b>\$18,507,954</b>

The increase in the MBE Prime Contractors Paid was due to the awards of large projects, such as, Crofton Area High School. We hope that we can continue to attract MBE primes to bid on upcoming projects. This may present a challenge based on the process of our awards and economic conditions. We continue to work with prime contractors in the area of timely payments to MBE subcontractors. Many of the slow payments to MBE subcontractors are due to incomplete and inaccurate paperwork submitted by prime contractors and MBE subcontractors. Project managers and construction managers continue to work with both in order to address this issue. Timely payments are vital to the continued success of MBE contractors, since most operate on very limited capital.

## **11. Outreach Activities**

The MSBE Office staff attended several events during the year in an effort to reach out to minority and small businesses to encourage their participation in the bidding process, and to work collaboratively with AACPS. The Office also encourages MBEs to attend pre-bid meetings where we promoted the MBEs who participated. We also encouraged MBEs to meet with us to review our program and gain insight into participating in the bidding process.

## **12. Conclusion**

The MSBE Office is committed to improving AACPS by increasing opportunities for minority businesses. The MSBE Office continues to collaborate with the Purchasing Office to implement strategies in an effort to encourage minority business to not only work on AACPS projects, but to also ensure that MBEs are successful in completing bids and winning projects.

Senate bill 309 effective October 1, 2017, did not impact most of the projects awarded in Fiscal Year 2018, and therefore, we only saw a minimal change in the MBE goal from Fiscal Year 2017 to 2018. We anticipate that we will see an impact in Fiscal Year 2019.

The MSBE Office continues to encourage our Prime Contractors to increase MBE participation through services where opportunities are available. In conclusion, the strategies and goals established in Fiscal Year 2018 allowed AACPS to provide additional opportunities to the MSBE community as exhibited through the award of 31.6% contracts to minority businesses for State funded projects. The MSBE Office continues to work with the minority and small business community to encourage partnerships and relationships with businesses their size or larger. We believe these partnerships are key to securing project awards.

We will continue to work with our contractors to ensure they fully understand the changes in the supplier law and how to accurately complete the appropriate paperwork as a result of these changes. If you should have questions concerning this report, please contact the MSBE Office at 410-222-5130.