



Anne Arundel County Public Schools
Minority and Small Business Enterprise Utilization
Report for Fiscal Year 2019

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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 2019.

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 2019, \$51,278,893 million – or 38.2% of State-funded capital projects – were awarded to Minority Business Enterprise (MBE) prime contractors and subcontractors.
- The 11-year historical trend shows spending increases of 56.2% in all construction and maintenance projects from Fiscal Year 2009 to Fiscal Year 2019. This resulted in an increase of total MBE dollars awarded of 167.7%. In Fiscal Year 2019, 24.7% of contract awards in this category were made to MBE prime contractors and subcontractors compared to only 21.9% in Fiscal Year 2009, a 2.8 percentage point increase.
- 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 2019 Accomplishments

- Expanded training for vendors on successful bidding practices with AACPS
- Educated contractors about 2017 Senate Bill 309 – State Finance and Procurement – Small and Minority Business Participation, resulting in a decrease in the number of inaccurate bids
- Developed a guide to complement the updated State MBE forms due to the new 60% Supplier Law

Fiscal Year 2020 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

4. Updates to MBE Legislation/Requirements

Regulatory changes to the State MBE regulations now allow for acceptance of minor irregularities on State MBE forms. Agencies are now allowed to determine if a full or partial waiver is implied if the forms do not commit to the full goal. Minority Business Enterprise Policies 21.11.03 states *“The failure of a bidder to accurately complete and submit the MBE utilization affidavit and the MBE participation schedule shall result in a determination that the bid is not responsive unless the inaccuracy is determined to be the result of a minor irregularity that is waived or cured in accordance with COMAR 21. 6.02.04.”*

Senate Bill 309-State Finance and Procurement-Small and Minority Business Participation was approved effective October 1, 2017. A contractor is only able to apply 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 impact of this Bill can be seen on the level of MBE achievement in the statistical data reported in Table 2, page 6.

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 2019, the Capital Project budget awarded nine (9) major State-funded projects. The projects are listed in Table 1. 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
Annapolis Middle-HVAC & Window Replacement	29.0%	29.0%	0.0%	29.0%	\$ 5,823,055
Chesapeake Bay Middle-Open Space Enclosure	29.0%	36.8%	0.0%	36.8%	\$ 2,417,103
Crofton Woods Elementary-Classroom Addition	29.0%	29.3%	0.0%	29.3%	\$ 915,645
Edgewater Elementary-Revitalization	30.9%	22.4%	11.7%	34.1%	\$ 11,661,082
Glen Burnie Park Elementary-Gymnasium & Program Addition	29.0%	30.3%	0.0%	30.3%	\$ 2,068,518
Linthicum Elementary-Kindergarten Addition	29.0%	29.1%	0.0%	29.1%	\$ 910,768
Millersville Elementary-Kindergarten Addition	29.0%	36.1%	0.0%	36.1%	\$ 1,153,000
Richard Henry Lee Elementary-Revitalization	29.2%	19.9%	6.1%	26.0%	\$ 46,434,285
Tyler Heights Elementary-Revitalization	29.6%	25.1%	19.9%	45.0%	\$ 12,876,516

In Fiscal Year 2019, AACPS awarded State-funded projects totaling \$134,380,127. Of the awarded State eligible projects, 12.8% (\$17,223,071) was awarded to MBE prime contractors and 25.3% (\$34,055,822) was awarded to minority businesses in sub-contracting opportunities totaling 38.1% (\$51,278,893) 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 2018 and Fiscal Year 2019 and provides a breakdown of awards to subcontractors for capital and maintenance projects by MBE classification. The data shows a change in the reporting of the total value of awards for construction and maintenance contracts in Fiscal Year 2019 compared with Fiscal Year 2018, which may be attributed to the Supply Law. If this law was not applied, the MBE participation reporting achievement would be 29.7% instead of 24.8%. This in reality is not a decrease, but a recognition of the new law in regards to the accounting of these types of purchases.

Due to the requirement of awarding to the lowest responsible and responsive bidder, there is a tendency to see changes in the racial makeup 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.

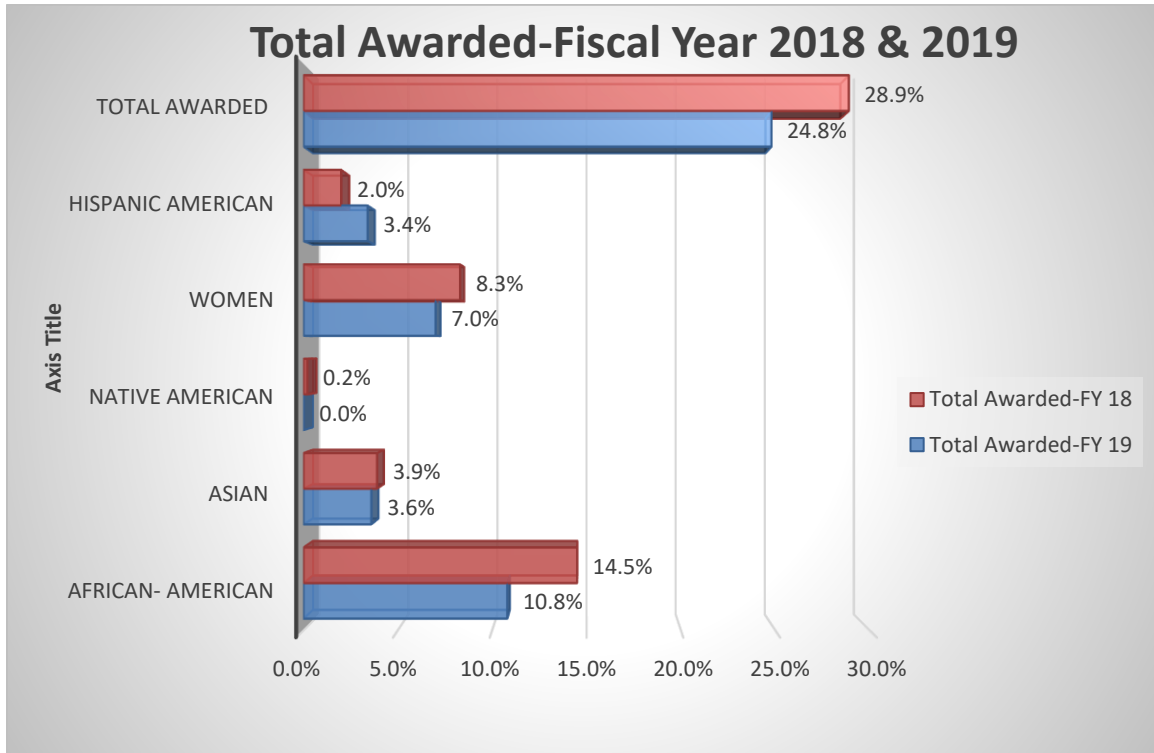
Table 2: Subcontractor Contract Awards by MSBE Classification for Construction and Maintenance Capital Projects-State & Local Funding

FY2019 MSBE Classification	Construction	% of Dollars Awarded	Maintenance	% of Dollars Awarded	Total	% of Total Dollars Awarded
African American	\$ 14,801,639	11.1%	\$ 554,305	6.3%	\$ 15,355,944	10.8%
Asian American	\$ 5,096,293	3.8%	\$ 10,500	0.1%	\$ 5,106,793	3.6%
Native American	\$ 28,000	0.0%	\$ 0.0	0.0%	\$ 28,000	0.0%
Women	\$ 9,390,669	7.0%	\$ 532,465	6.0%	\$ 9,923,133	7.0%
Hispanic American	\$ 4,764,531	3.6%	\$ 39,700	0.4%	\$ 4,804,231	3.4%
Total MSBE Awarded	\$ 34,081,132	25.5%	\$ 1,136,970	12.8%	\$ 35,218,101	24.8%
Total Awarded	\$133,596,239		\$ 8,848,019		\$142,444,258	

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%
Total MSBE Awarded	\$ 41,734,371	29.6%	\$ 1,301,428	17.0%	\$ 43,035,799	28.9%
Total Awarded	\$140,968,241		\$ 7,669,587		\$148,637,828	

Graph 1 below shows the comparison of Fiscal Year 2018 and 2019 percentage of total dollars in Table 2 awarded by classifications. It should be noted that the largest percentage decrease occurred in the African 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 2009 with Fiscal Year 2019. 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 167.7%. 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-State & Local Funds

Description	FY2009	FY2019
Total Dollars Awarded	\$ 91,215,468	\$ 142,444,258
Total MBE Prime Awarded	\$ 0	\$ 18,166,571
Total Dollars Awarded to MBE Subcontracts	\$ 19,942,485	\$ 35,218,101
MBE Prime and Subcontractor as a Percentage of Total Dollars Awarded	21.9%	24.7%
Total MBE Awarded	\$ 19,942,485	\$ 53,384,672

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 2018 to Fiscal Year 2019.

Table 4: MBE Architects and Engineers Achievement

Description	FY2019 \$ Awarded	FY2019 % of Total	FY2018 \$ Awarded	FY2018 % of Total
MBE Architecture	\$ 1,373,598	17.0%	\$ 500,328	27.0%
MBE Engineers	\$ 63,250	8.0%	\$ 227,303	10.0%
Total MBE Architects and Engineers	\$ 1,436,848	16.0%	\$ 707,631	18.0%
Total Dollars Awarded to Architect and Engineer Consultants	\$ 9,007,793		\$ 4,063,275	

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, and proprietary software maintenance. 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 2015 through 2019 expenditures with MSBE vendors. Operating dollar expenditures include, but are not limited to technology hardware, furniture, office supplies, training, and service contracts. Even though the data analysis performed below shows an increase in MSBE participation in Fiscal Year 2019 compared with Fiscal Years 2018, the total expenditures increased from Fiscal Year 2019 to Fiscal Year 2018 resulting in a lower percentage. 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

Year	Total Expenditures	Operating MSBE Expenditures	MSBE Operating Expenditures as a % of Total Operating Expenditures
FY 2019	\$379,954,943	\$27,038,886	7.1%
FY 2018	\$296,832,719	\$24,902,646	8.4%
FY2017	\$238,113,861	\$14,527,874	6.1%
FY2016	\$253,114,385	\$12,606,491	5.0%
FY2015	\$252,362,458	\$16,801,942	6.7%

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 2018 and 2019, there were nineteen (19) small business owners who registered with AACPS and provided goods and/or services, of which eleven (11) conducted business in Fiscal Year 2019 and ten (10) in Fiscal Year 2018. As Table 6 shows, there was a decrease in total expenditures in Fiscal Year 2019 as compared with Fiscal Year 2018 but an increase of one participant. The changes are due to the demand of purchases with these vendors.

Table 6: Small Business Program Summary

Year	# of Registered Small Business Receiving Awards	Small Businesses Total Expenditures
FY2019	11	\$1,485,643
FY2018	10	\$1,695,261

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. The 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 is forwarded to GOSBA and MDOT for review.

The compliance process is conducted on all projects where an MBE goal was established. The projects listed on Table 7 below are all state-funded projects valued at \$1,000,000 and above:

Table 7: Compliance Monitoring

Description	Project Costs	Project Completion Date	MBE Goal	MBE Achieved in Contract
Northeast High-Modernization	\$204,415,820	01/10/2019	23.1%	29.6%
Chesapeake High-Open Space Enclosure	\$ 3,048,198	07/03/2019	29.0%	29.0%
Odenton Elementary-Kindergarten & Second Floor Addition	\$ 5,067,122	08/08/2018	29.0%	29.4%
Shady Side Elementary-Open Space Enclosure and Kindergarten Addition	\$ 5,488,854	06/28/2019	29.0%	30.7%
MacArthur Middle-HVAC/Windows/Ceiling/Lights	\$ 17,491,087	04/17/2019	29.0%	30.1%
Meade High-HVAC/Ceiling/Lights Replacement	\$ 11,055,199	09/21/2018	29.0%	31.8%
West Meade Early Education-Kindergarten Addition	\$ 2,620,096	10/03/2018	29.0%	32.2%
North Glen Elementary-Kindergarten Addition	\$ 2,316,878	12/14/2018	29.0%	29.7%
Woodside Elementary-Gym Addition	\$ 2,350,751	12/05/2018	29.0%	29.0%
Woodside Elementary-Kindergarten Addition	\$ 2,499,501	12/07/2018	29.0%	29.0%
Ridgeway Elementary-Roof Replacement	\$ 1,344,125	08/24/2018	25.0%	25.7%

All the projects above completed the compliance process successfully met and/or exceeded the initial MBE goal. Due to continuous monitoring, AACPS has seen more cooperation from the primes 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

Year	Total \$ Paid - All Prime Contracts	Total \$ Paid - MBE Prime & MBE Subcontracts	% MBE Payments	MBE Prime Contracts \$ Paid	MBE Subcontracts \$ Paid
FY2019	\$188,053,900	\$62,100,685	33.0%	\$10,879,660	\$51,221,025
FY2018	\$112,903,724	\$36,032,663	31.9%	\$4,639,451	\$31,393,212

The increase in the MBE Prime Contractors Paid was due to the payments for large projects such as Crofton 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 insights 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. In Fiscal Year 2019, we saw MBE achievement of 24.7% a percentage point decrease of 4.3% from Fiscal Year 2018 of 28.9%. In reality, this is not a decrease but a recognition of the new law in regard to the accounting of this type of purchase. Without the Supply Law recognition, Fiscal Year 2019 would have resulted in an MBE subcontractor achievement of 29.7%. 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 2019 allowed AACPS to provide additional opportunities to the MSBE community as exhibited through the award of 38.2% 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.