



Anne Arundel County Public Schools
Minority and Small Business Enterprise Utilization
Report for Fiscal Year 2020

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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 2020.

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 2020, \$10,964,005 million – or 35.8% of State-funded capital projects – were awarded to Minority Business Enterprise (MBE) prime contractors and subcontractors.
- The 11-year historical trend shows a decrease in spending of 23.9% in all construction and maintenance projects from Fiscal Year 2010 to Fiscal Year 2020. Even though there was a decrease in spending, the total MBE dollars awarded increased 50.6%. In Fiscal Year 2020, 37.2% of contract awards in this category were made to MBE prime contractors and subcontractors compared to only 24.7% in Fiscal Year 2010, a 12.5 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 2020 Accomplishments

- Expanded in-person and virtual training for vendors on successful bidding practices with AACPS
- Educated contractors about Senate Bill 309 from the 2017 Legislative Session– 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 2021 Goals

- Continue marketing the MSBE Office through active counseling, training, and advertising projects digitally, given that state-wide events are being conducted virtually at present
- 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

New MBE Program Sub-goals took effect August 1, 2020

The Governor’s Office of Small, Minority & Women Business Affairs sent out guidance on July 22, 2020, on new MBE Program sub-goals effective August 1, 2020. Per the bulletin, MBE sub-goals are part of an ongoing effort to: remedy discrimination for minority and women-owned businesses, ensure that various racial, ethnic and gender subgroups participate in contracting at levels that would be expected in the absence of discrimination; foster the overarching policy of diversity in contracting for the State; and promote further compliance with the State’s MBE program. The State’s new recommended MBE sub-goals for construction are 8% African American and 11% Women.

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 Managers; 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 2020, the Capital Project budget awarded five (5) major State-funded projects. The projects are listed in Table 1. The Procurement Review Committee established an MBE goal for each project using historical 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
Manor View Elementary School-Roof Replacement	30.0%	30.0%	15.0%	30.0%	\$ 894,000
Point Pleasant Annex-PA System	15.0%	15.0%	0.0%	15.0%	\$ 46,035
North County High School-HVAC System	29.0%	29.0%	0.0%	29.0%	\$ 7,431,800
Maryland City Elementary School-Roof Replacement	15.0%	15.0%	0.0%	15.0%	\$ 235,000
Lindale Middle School-TIMS Electric Upgrade	25.0%	25.0%	0.0%	25.0%	\$ 114,750

In Fiscal Year 2020, AACPS awarded State-funded projects totaling \$30,661,890. Of the awarded State eligible projects, 9.7% (\$2,980,000) were awarded to MBE prime contractors and 26.0% (\$7,984,005) were awarded to minority businesses in sub-contracting opportunities totaling 35.7% (\$10,964,005) 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 2019 and Fiscal Year 2020 and provides a breakdown of awards to subcontractors for capital and maintenance projects by MBE classification. The data shows a decrease in funding from Fiscal Year 2019 to Fiscal Year 2020 due to fewer projects being bid. However, the reporting of the total value of awards for construction and maintenance contracts in Fiscal Year 2020 increased by 10.9%.

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

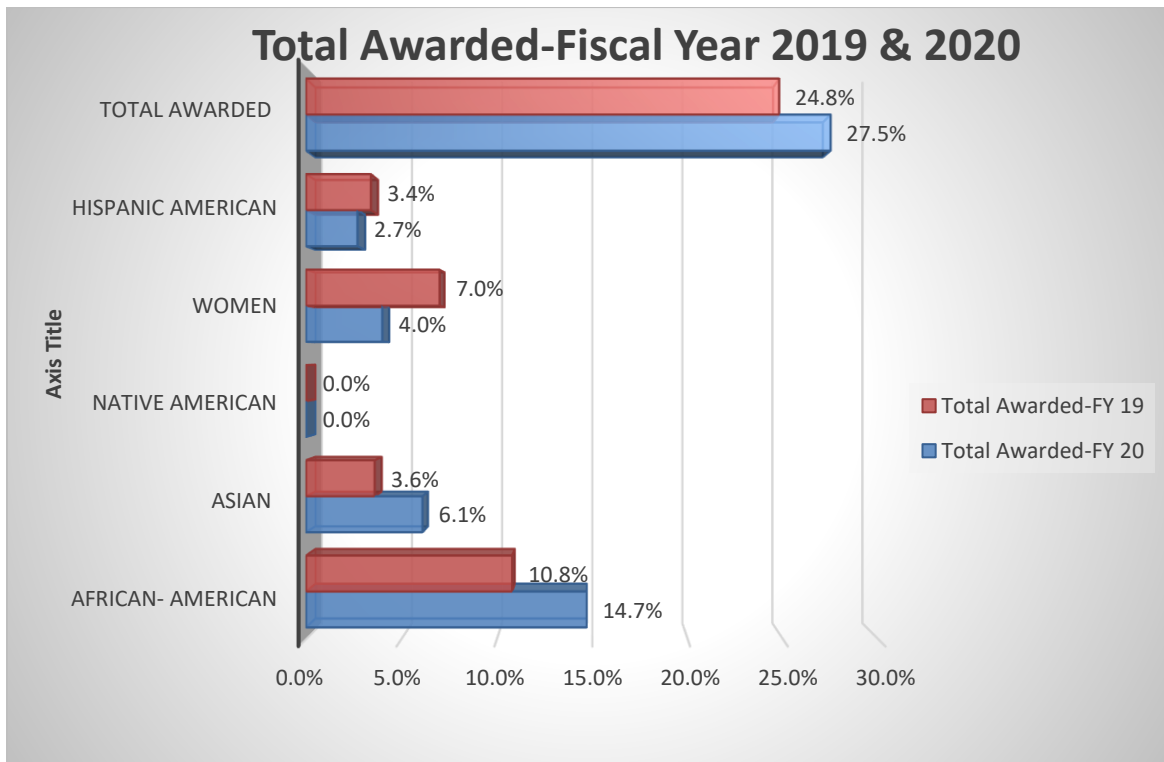
Table 2: Subcontractor Contract Awards by MSBE Classification for Construction and Maintenance Capital Projects-State & Local Funding

FY2020 MSBE Classification	Construction	% of Dollars Awarded	Maintenance	% of Dollars Awarded	Total	% of Total Dollars Awarded
African American	\$ 7,933,835	17.1%	\$ 82,453	1.0%	\$ 8,016,288	14.7%
Asian American	\$ 3,066,351	6.6%	\$ 268,604	3.3%	\$ 3,334,955	6.1%
Native American	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%
Women	\$ 1,154,478	2.7%	\$ 1,003,935	12.5%	\$ 2,158,413	4.0%
Hispanic American	\$ 1,245,730	2.5%	\$ 247,957	3.1%	\$ 1,493,687	2.7%
Total MSBE Awarded	\$ 13,400,394	28.8%	\$ 1,602,949	20.0%	\$ 15,003,343	27.5%
Total Awarded	\$ 46,476,608		\$ 8,030,335		\$ 54,506,943	

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%	\$ 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	

Graph 1 below shows the comparison of Fiscal Year 2019 and 2020 percentage of total dollars in Table 2 awarded by classifications. It should be noted that the largest percentage increase occurred in the African American category. There was also an increase in the Asian American category. Unfortunately, there was a decrease in the Hispanic American and Women categories. The Women category should see an increase in future Fiscal Years given that this category has recently been added to the sub-goal recommendations from the State.

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 11 years with regard to minority participation was reviewed. Table 3 represents data comparing Fiscal Year 2010 with Fiscal Year 2020. 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 50.6%. 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	FY2010	FY2020
Total Dollars Awarded	\$ 71,579,847	\$ 54,506,943
Total MBE Prime Awarded	\$ 9,707,526	\$ 5,322,548
Total Dollars Awarded to MBE Subcontracts	\$ 17,665,492	\$ 15,003,344
MBE Prime and Subcontractor as a Percentage of Total Dollars Awarded	24.7%	37.2%
Total MBE Awarded	\$ 27,373,018	\$ 20,325,892

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 2019 to Fiscal Year 2020.

Table 4: MBE Architects and Engineers Achievement

Description	FY2020 \$ Awarded	FY2020 % of Total	FY2019 \$ Awarded	FY2019 % of Total
MBE Architecture	\$ 3,545,518	19.6%	\$ 1,373,598	15.2%
MBE Engineers	\$ 55,780	0.3%	\$ 63,250	0.7%
Total MBE Architects and Engineers	\$ 3,601,298	19.9%	\$ 1,436,848	15.9%
Total Dollars Awarded to Architect and Engineer Consultants	\$ 18,158,874		\$ 9,007,793	

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 larger numbers of MSBE firms, but due to our volume requirements and open competition, there is no guarantee of a contract award. Volume requirements could render a small business not competitive.

Table 5 represents Fiscal Years 2016 through 2020 expenditures with MSBE vendors. Operating dollar expenditures include, but are not limited to technology hardware, furniture, office supplies, training, and service contracts. 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 2020	\$330,085,801	\$23,904,216	7.2%
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%

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 2019 and 2020, 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 in Fiscal Year 2020. As Table 6 shows, there was an increase in total expenditures in Fiscal Year 2020 as compared with Fiscal Year 2019.

Table 6: Small Business Program Summary

Year	# of Registered Small Business Receiving Awards	Small Businesses Total Expenditures
FY2020	11	\$2,283,147
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
Chesapeake High School-Open Space Classroom Enclosure	\$ 6,735,783	07/03/2019	29.0%	31.1%
Millersville Elementary-Gymnasium Addition	\$ 2,830,427	09/13/2019	29.0%	35.8%
Millersville Elementary-HVAC Replacement	\$ 3,845,079	04/23/2020	29.0%	29.4%
Park Elementary-6 Classroom Kindergarten Addition	\$ 3,805,028	06/16/2020	29.0%	30.1%
Brock Bridge Elementary-Open Space Enclosure	\$ 2,852,426	02/05/2020	29.0%	30.1%
Broadneck Elementary-Roof Replacement	\$ 1,523,186	01/15/2020	25.0%	25.7%
Arundel Middle-Roof Replacement	\$ 3,125,834	01/29/2020	25.0%	25.8%

All projects above completed the compliance process and 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 being 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
FY2020	\$159,802,127	\$49,867,116	31.20%	\$12,56,747	\$37,510,369
FY2019	\$188,053,900	\$62,100,685	33.0%	\$10,879,660	\$51,221,025

The payment percentage continues to remain fairly flat even though a majority of the Fiscal Year saw some challenges with the payment process due to COVID 19. We hope that we can continue to attract MBE primes to bid on upcoming projects. 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 in-person and virtual 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.

Even though the office was impacted by the pandemic, the MSBE Office staff continued to telework and reported to work locations as needed to ensure paperwork requiring signatures was processed timely. Additionally, all compliance forms were processed timely, since this is done electronically.

The State's new MBE sub-goal of 8% African American and 11% Women for construction projects should not have any impact on future bid projects. Contractors are familiar with this process and from past data, both categories have been used heavily to maintain the MBE established goal. The Supply Law, which went into effect October 2017, continues to impact our MBE achievement but we have seen some gradual increase in participation. Additionally, the accuracy of MBE forms submitted continues to show signs of improvement.

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 2020 allowed AACPS to provide additional opportunities to the MSBE community as exhibited through the award of 35.8% 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.