

**State of Illinois
Chief Procurement Office**

**Small Business Contracts Act
Annual Report**

March 1, 2012



***Lincoln Berry General Store 1832—1836
New Salem, Illinois***

***Abraham Lincoln and his partner William F. Berry learned the importance
of delivering good products and good service at a fair price as
co-owners of New Salem's only general store***

CHIEF PROCUREMENT OFFICE MISSION & VALUES

To work with agencies and universities to meet their procurement needs while exercising independent authority, oversight, and approval designed to continuously improve the procurement process and ensure: compliance with law, fair treatment, diversity, integrity, transparency and value.

With the passage of Public Act 96-795, commonly referred to as Senate Bill 51, the Executive Ethics Commission appointed and the Senate confirmed four independent Chief Procurement Officers (CPO). The CPOs have a fiduciary responsibility to the State of Illinois and appoint agency and university-based State Purchasing Officers to exercise the CPOs' procurement authority.

EXECUTIVE SUMMARY

Enacted in August 2011, the Small Business Contracts Act (Public Act 97-307) is an important step to retaining and expanding Illinois' small businesses. Each year the State of Illinois spends billions of dollars making it one of

"Small business affects every Illinois citizen. There are over 1 million small businesses in Illinois which represents 98% of all employers and employ 48% of the private-sector workforce. Illinois businesses are vital to the economy, and that is why each agency must strive to meet or exceed the 10% goal set forth in the Small Business Contracts Act."

State Representative
La Shawn K. Ford,
co-sponsor of Small
Business Contracts Act

the largest purchasers of goods and services in the state. The Small Business Contracts Act (SBCA) creates the goal that the State award not less than 10% of all contracts to small business. Progress towards the goal is the subject of this report.

Small businesses are expected to be the major creator of new jobs in the coming years. State contracts with Illinois based small business firms promote a more stable business climate by encouraging investment, expansion, and job creation. The CPOs efforts to ensure that small businesses have the maximum practicable opportunity to provide goods and services to the State is especially critical during these difficult economic times.

The primary challenge for the CPOs is establishing a system to efficiently and accurately collect small business contracting data. Agencies and universities have submitted Compliance Plans that set contracting goals for FY 12 and the CPOs have taken steps to increase opportunities for small business participation in state contracting.

In FY 11, agencies reported 35,542 small business contracts valued at \$193,336,617. The State's total contracts were valued at \$7,467,150,027 making small business contracts worth 2.6% of the total.

With more than 65% of each dollar spent with an Illinois small business returning to the local economy, the CPOs recognize the importance of continuing to emphasize small business competition and contracting. Efforts to make the State's procurement system more understandable, user-friendly, accountable, and transparent is the highest priority and will ensure not only the best value for the State's procurements, but will also instill public trust and confidence.

STATISTICS SUMMARY

Total Contract Expenditures	=	\$7,467,150,027
SBCA Expenditures	=	\$193,336,617
% of Total Contract Expenditures to Small Business Vendors	=	2.6%

SMALL BUSINESS CONTRACTS ACT OVERVIEW

The Small Business Contracts Act (SBCA) became law on August 11, 2011. The SBCA establishes a goal that not less than 10% of the total dollar amount of State contracts be awarded to small businesses. It requires that the CPOs submit an annual report by March 1 of each year.

Annual Report

As a measure of the State's progress towards reaching the 10% goal, the following metrics are discussed.

1. Total of the State's procurements subject to the goal
2. Goals for contracting with small businesses by agency/university and State
3. Goals achieved by agency/university and the State
4. Number of contracts awarded by agency/university and State
5. Average contract amount by agency/university and State
6. Analysis of the level of overall goal achievement concerning purchases from small businesses

Annual Compliance Plans

Individual, yet centrally coordinated, procurement planning is essential to increasing contracting with small business. Each agency and university submits to their respective CPO for review and acceptance an annual compliance plan. The CPOs provide guidance and assistance in development of the plans.

Plan Components:

- (a) Contract goals for current fiscal year
- (b) Method to reach the goals
- (c) Timetable for reaching the goals

In addition to Compliance Plans, each agency and university submits to the CPO an annual report of its utilization of small businesses during the preceding fiscal year, and a mid-fiscal year report of its utilization to date for the then current fiscal year. Both the annual and mid-fiscal year reports include a self-evaluation of the agency and university's efforts in meeting its small business contracting goals as provided in their Compliance Plan.

The SBCA requires Illinois' procurement system to have a better understanding of current contracting with small business owners and entrepreneurs. It also requires the exploration of ideas and development of coordinated state policies, from vendor technical assistance to expansion of procurement opportunities, that will increase the State's purchase from small business.

The Chief Procurement Office expects measured increases as agencies and universities implement the new legislation.

"Small businesses" are independently owned and operated and are not dominant in their field of operation. 30 ILCS 500/45-45.

Additional criteria to qualify as a small business.

1. Illinois business
2. Annual gross sales:
 - Wholesale \$10,000,000 or less
 - Retail or Services \$6,000,000 or less
 - Manufacturing \$10,000,000 or less and 250 employees or less
 - Construction \$10,000,000 or less

IMPLEMENTING THE SMALL BUSINESS CONTRACTS ACT 3 STEP PLAN

When the Small Business Contracts Act (SBCA) was passed, the CPOs developed a three step approach to analyzing the State's current small business contracts and the drivers that will improve results.

Step One—Data Collection

A meaningful statistical baseline of the State's small business contracting activity is reasonable first step towards establishing and meeting the small business contracting goal. Currently, available data is incomplete and is not uniformly gathered by agencies and universities.

Without a single database for identifying and classifying all vendors who contract with the State, determining which vendors qualify as a small business is difficult.

Currently, the CPO for General Service's Small Business Set-Aside (SBSP) program is the only program maintaining a small business database. The SBSP program requires certain General Services contracts to be awarded only to small businesses in Illinois. The SBSP database is shared with all CPOs as a tool that can be used to provide a level of statistical baseline that can be tracked. These SBSP contract awards are a subset of the SBCA awards. However, many universities and agencies contract with small business vendors that are not registered in the SBSP database.

Prior to the Contracts Act, universities had no requirement to track purchases from small businesses. Thus, they do not have a small business procurement tracking system in place.

Step Two—Compliance Plans

In the months following passage of the Contracts Act, the CPOs discussed the new legislative requirements with procurement staffs. They discussed using individualized Compliance Plans to set contracting goals for fiscal year 2012 and for describing the method to reach the goal. CPO staff reviewed each Compliance Plan and accepted the goal and method as submitted, or worked with agency staff until an acceptable goal was attained.

Each agency's and university's small business contract goals are expressed as a percentage of their projected small business awards relative to their total contract spend. For most agencies, goals are based on FY 11's SBCA spend and the known variables that will impact FY 12 awards. Collectively, the forecasted total awards to small business relative to the forecasted total spend for all agencies and universities comprise the State's goal for FY 12.

Step Three—Increasing Awards

Once standard processes for qualifying vendors as small businesses and for efficiently tracking small business awards are established, baseline data that is more accurate will be available. The CPOs anticipate that these processes will be in place by the end of FY 13.

To maximize small business contracting, the CPOs encourage agencies and universities to:

- evaluate whether current or new contracts can be solicited from small business
- evaluate whether goods or services can be procured from a small business using a master contract
- evaluate whether an existing vendor pool justifies setting aside a product or service category
- purchase from small businesses when procuring under the small purchase threshold
- purchase products and services in the 64 small business set-aside categories (General Services)

SMALL BUSINESS CONTRACTING—CAPITAL DEVELOPMENT BOARD

The Capital Development Board has a long history of utilizing small business firms in the design and construction of the State's buildings.

Capital Development Board	Total Contract Spend	SBCA Spend	SBCA % of Total
Fiscal Year 2009	\$135,300,000	\$49,500,000	36.6%
Fiscal Year 2010	\$174,300,000	\$39,000,000	22.4%
Fiscal Year 2011	\$126,191,956	\$49,461,478	39.2%

Capital Development Board	SBCA Spend	Number of Contracts	Average Contract Value
Fiscal Year 2011	\$49,461,478	160	\$309,134

In FY 11, the Capital Development Board awarded 286 contracts with a total value of \$126,191,956. 56% of the contracts were awarded to small business firms representing 39% of the total monetary value.

SMALL BUSINESS CONTRACTING—DEPARTMENT OF TRANSPORTATION

CONSTRUCTION AND CONSTRUCTION-RELATED SERVICES

Two Chief Procurement Officers oversee procurements for the Department of Transportation. CPO Bill Grunloh oversees Construction and Construction-related procurements and CPO Matt Brown oversees General Services or non-construction procurements and contract awards.

Department of Transportation Construction and Construction-Related Services	Total Spend	SBCA Spend	SBCA % of Total	SBSP Spend
Fiscal Year 2011	\$2,458,165,976	\$61,866,725	2.5%	\$3,788,482

A significant amount of the Department of Transportation's (DOT) annual highway construction budget is spent with subcontractors who potentially qualify as small businesses. But, the SBCA only counts awards to small businesses that are prime contractors. To fully capture State dollars that are spent with small businesses as subcontractors, DOT and the CPOs will consider options for including those awards.

DOT SMALL BUSINESS CONTRACTING EXCEEDS \$76 MILLION

In terms of dollar amount awarded, the Department of Transportation's small business contracting is the highest in the State. In FY 11, DOT awarded construction and non-construction contracts that amounted to \$2,708,516,598 in contracts that included both construction and non-construction. Contracts that were specifically set-aside for small businesses were valued at \$4,914,200. Contracts that were awarded to small business not pursued as a set-aside were valued at \$71,090,478.

The total spent with small businesses was \$76,004,678 or 2.8% of the agency's total spend.

**SMALL BUSINESS CONTRACTING BY AGENCY—GENERAL SERVICES
FISCAL YEAR 2011**

Agency	Total Spend	SBCA Spend	SBCA % of Total	SBSP Spend
AGING	\$1,101,859	\$19,220	1.7%	\$0
AGRICULTURE	\$9,724,530	\$3,857,174	39.7%	\$2,243,431
ARTS COUNCIL	\$92,029	\$12,425	13.5%	\$12,425
BOARD OF HIGHER EDUCATION	\$628,175	\$3,773	0.6%	\$0
CENTRAL MANAGEMENT SERVICES	\$425,936,841	\$12,149,798	2.9%	\$7,962,400
CHILDREN AND FAMILY SERVICES	\$34,557,374	\$4,087,668	11.8%	\$236,578
COMMERCE AND ECONOMIC OPPORTUNITY	\$23,292,959	\$747,042	3.2%	\$0
COMMERCE COMMISSION	\$903,226	\$170,229	18.8%	\$0
COMMUNITY COLLEGE BOARD	\$355,763	\$22,644	6.4%	\$22,644
CORRECTIONS	\$298,433,952	\$14,009,659	4.7%	\$10,609,105
COUNCIL ON DEVELOPMENTAL DISABILITIES	\$78,228	\$2,490	3.2%	\$2,489
CRIMINAL JUSTICE INFORMATION AUTHORITY	\$568,461	\$46,534	8.2%	\$4,288
DEAF & HARD OF HEARING COMMISSION	\$87,835	\$618	0.7%	\$617
EDUCATIONAL LABOR RELATIONS BOARD	\$53,348	\$10,900	20.4%	\$0
EMERGENCY MANAGEMENT AGENCY	\$8,434,746	\$129,302	1.5%	\$117,034
EMPLOYMENT SECURITY	\$31,566,661	\$2,515,416	8.0%	\$487,348
ENVIRONMENTAL PROTECT AGENCY	\$27,350,210	\$1,626,023	5.9%	\$1,032,458
FINANCIAL AND PROFESSIONAL REGULATION	\$4,001,043	\$668,537	16.7%	\$48,949
GAMING BOARD	\$813,492	\$15,347	1.9%	\$12,562
GUARDIAN & ADVOCACY COMMISSION	\$204,864	\$10,430	5.1%	\$8,567
HEALTHCARE & FAMILY SERVICES	\$2,543,719,141	\$3,886,722	0.2%	\$217,642
HISTORIC PRESERVATION AGENCY	\$2,392,392	\$237,265	9.9%	\$201,740
HUMAN RIGHTS	\$238,856	\$117,035	49.0%	\$0

SMALL BUSINESS SET-ASIDE PROGRAM (SBSP)

The Chief Procurement Officer for General Services administers the Small Business Set-Aside Program.

The program is established as part of the Illinois Procurement Code (30 ILCS 500/45-45), and allows only qualified Illinois small businesses to compete for contracts in 64 categories of products and services. It also requires that State agencies purchase from Illinois small businesses when making one time purchases under \$50,000.

While enrollment in the SBSP is fluid (existing vendors drop-out while new ones register), the total number of registered vendors remained relatively stable throughout the year at approximately 5,750.

In FY 11, 2,163 unique vendors won SBSP contracts accounting for approximately 37% of registered vendors. Of the winning vendors, 1,542 (71.2%) are also certified in the State's Business Enterprise Program (BEP). These BEP vendors won contracts totaling \$31,824,032 which is 68.1% of the total SBSP spend.

State agency participation in FY 11 increased by 32%. 53 State agencies, versus 40 in FY 10, contracted with registered small businesses.

**SMALL BUSINESS CONTRACTING BY AGENCY—GENERAL SERVICES
FISCAL YEAR 2011**

Agency	Total Spend	SBCA Spend	SBCA % of Total	SBSP Spend
HUMAN RIGHTS COMMISSION	\$95,663	\$369	0.4%	\$0
HUMAN SERVICES	\$713,900,784	\$9,945,795	1.4%	\$6,371,415
INSURANCE	\$2,238,390	\$238,156	10.6%	\$120,251
JUVENILE JUSTICE	\$21,531,911	\$1,361,543	6.3%	\$993,401
LABOR	\$98,343	\$20,014	20.4%	\$20,014
LABOR RELATIONS BOARD	\$104,636	\$20,592	19.7%	\$19,127
LAW ENFORCEMENT TRAINING STANDARDS	\$226,772	\$12,430	5.5%	\$0
MATH AND SCIENCE ACADEMY	\$5,063,165	\$159,218	3.1%	\$77,971
MILITARY AFFAIRS	\$11,083,292	\$1,495,185	13.5%	\$1,471,953
NATURAL RESOURCES	\$39,172,211	\$3,563,110	9.1%	\$1,896,880
OFFICE OF THE STATE FIRE MARSHAL	\$1,837,419	\$961,468	52.3%	\$75,152
PRISONER REVIEW BOARD	\$85,118	\$3,324	3.9%	\$0
PROPERTY TAX APPEAL BOARD	\$86,446	\$10,616	12.3%	\$10,615
PUBLIC HEALTH	\$27,136,633	\$651,949	2.4%	\$599,638
RACING BOARD	\$100,299	\$3,622	3.6%	\$0
REVENUE	\$40,557,330	\$1,099,435	2.7%	\$421,366
STATE POLICE	\$46,871,462	\$1,100,046	2.3%	\$697,784
STATE POLICE MERIT BOARD	\$82,498	\$21,773	26.4%	\$0
STATE UNIVERSITIES CIVIL SERVICE	\$187,579	\$2,903	1.5%	\$0
TOLL HIGHWAY AUTHORITY	\$290,141,426	\$7,386,295	2.5%	\$1,216,378
TRANSPORTATION	\$250,350,622	\$76,004,678	2.8%	\$1,125,718
VETERANS' AFFAIRS	\$15,275,361	\$3,615,345	23.7%	\$619,124
WORKERS' COMPENSATION COMMISSION	\$574,239	\$17,860	3.1%	\$17,860
TOTALS	\$ 4,882,792,095	\$ 82,008,414	1.7%	\$38,974,924

SMALL BUSINESS SET-ASIDE PROGRAM STATISTICS

Total Contract Expenditures	= \$7,340,958,070
SBSP Expenditures	= \$46,756,624*
% of Total Contract Expenditures to SBSP Vendors	= .64%
SBSP Expenditures to BEP Vendors	= \$31,824,033
% of SBSP Expenditures to BEP Vendors	= 68.1%

* This data reflects information prepared in November 2011. Updated small business data submitted in preparation of the SBCA report shows the SBSP expenditure to be \$42,763,406.

AVERAGE CONTRACT AMOUNT—GENERAL SERVICES

Agency	Number of SBCA Contracts	Avg. Contract Amount
AGING	30	\$641
AGRICULTURE	555	\$6,950
ARTS COUNCIL	25	\$497
BOARD OF HIGHER EDUCATION	17	\$222
CENTRAL MANAGEMENT SERVICES	8,350	\$1,455
CHILDREN AND FAMILY SERVICES	184	\$22,216
COMMERCE AND ECONOMIC OPPORTUNITY	260	\$2,873
COMMERCE COMMISSION	70	\$2,432
COMMUNITY COLLEGE BOARD	38	\$596
CORRECTIONS	3,917	\$3,577
COUNCIL ON DEVELOPMENTAL DISABILITIES	15	\$166
CRIMINAL JUSTICE INFORMATION AUTHORITY	112	\$0
DEAF & HARD OF HEARING COMMISSION	15	\$41
EDUCATIONAL LABOR RELATIONS BOARD	0	\$0
EMERGENCY MANAGEMENT AGENCY	210	\$616
EMPLOYMENT SECURITY	258	\$9,750
ENVIRONMENTAL PROTECT AGENCY	365	\$4,455
FINANCIAL AND PROFESSIONAL REGULATION	94	\$7,112
GAMING BOARD	52	\$295
GUARDIAN & ADVOCACY COMMISSION	60	\$174
HEALTHCARE & FAMILY SERVICES	306	\$12,702
HISTORIC PRESERVATION AGENCY	445	\$533
HUMAN RIGHTS	266	\$440
HUMAN RIGHTS COMMISSION	10	\$37
HUMAN SERVICES	2,737	\$3,634
INSURANCE	130	\$1,832
JUVENILE JUSTICE	706	\$1,929
LABOR	36	\$556
LABOR RELATIONS BOARD	25	\$824
LAW ENFORCEMENT TRAINING STANDARDS BD	52	\$239
MATH AND SCIENCE ACADEMY	72	\$2,211
MILITARY AFFAIRS	835	\$1,791
NATURAL RESOURCES	4,208	\$847
OFFICE OF THE STATE FIRE MARSHAL	79	\$616
PRISONER REVIEW BOARD	25	\$133
PROPERTY TAX APPEAL BOARD	49	\$217
PUBLIC HEALTH	478	\$1,364
RACING BOARD	27	\$134
REVENUE	378	\$2,909
STATE POLICE	739	\$1,489
STATE POLICE MERIT BOARD	31	\$702
STATE UNIVERSITIES CIVIL SERVICE	8	\$363
TOLL HIGHWAY AUTHORITY	1,660	\$4,450
TRANSPORTATION	6,680	\$11,378
VETERANS' AFFAIRS	748	\$4,833
WORKERS' COMPENSATION COMMISSION	25	\$714
TOTALS	35,382	\$2,629

**SMALL BUSINESS CONTRACTING—HIGHER EDUCATION
FISCAL YEAR 2012 through February 28, 2012**

University	Total Contract Spend	SBCA Spend	SBCA % of Total	Number of Contracts	Average Contract Value
Chicago State University	\$2,765,820	\$193,607	7.0%	51	\$3,796
Eastern Illinois University	\$37,013,280	\$1,443,518	3.9%	15,360	\$679
Governors State University	\$5,015,308	\$366,117	7.3%	2,769	\$2,526
Illinois State University	\$7,176,200	\$129,172	1.8%	181	\$9,912
Northeastern Illinois University	\$5,378,958	\$355,011	6.6%	1,748	\$1,325
Northern Illinois University	\$2,363,549	\$1,843,568	78.0%	5,641	\$32,379
Southern Illinois University	\$3,396,524	\$2,921,011	86.0%	155,488	\$674
University of Illinois	\$50,137,907	\$18,300,336	36.5%	362	\$50,553
Western Illinois University	\$810,055	\$74,525	9.2%	2,320	\$4,965

Historically the state universities have not established a small business contracting program nor have they participated in the Small Business Set-Aside Program (SBSP) currently operated by the Chief Procurement Officer for General Services. As a result the universities did not have a practice of gathering small business contracting data and there is no standard or complete database of information regarding contracts awarded to small businesses by the universities.

In an effort to establish a baseline to show progress toward compliance with the Small Business Contracts Act, the universities used the SBSP database and ran it against expenditure and contracts files from past fiscal years. The ability to use the information varied and the results were inconsistent. It would take considerable effort to obtain data for periods before the effective date of the Small Business Contracts Act and that data would not be accurate or reliable.

Most of the universities used resources they had to show actual contracting activities with small business for the first half of this fiscal year (FY 12). The University of Illinois provided FY 11 data which is a better representation of their small business contracting activities. While the results are based on sometimes incomplete information and differing assumptions, the overall results are a good indication of small business contracting activity by the state universities. That contracting information can be measured against the 10% statutory minimum goal to show actual compliance. As the universities' processes improve, they will be able to obtain better data, statistics will be more accurate and reliable, and reporting will be more consistent.