

STATE OF ILLINOIS
CHIEF PROCUREMENT OFFICE

2016
SMALL BUSINESS
SET-ASIDE PROGRAM

ANNUAL REPORT FISCAL YEAR 2016



Only small businesses based in Illinois may participate in the Small Business Set-Aside Program (SBSP)

Fiscal Year 2016: A Brief Overview Chief Procurement Officer General Services (CPO-GS)

920	unique SBSP vendors receiving contract payments
-47.2%	decrease in the number of unique SBSP vendors receiving contract payments compared to Fiscal Year 2015
\$96,810,791	total value of payments to SBSP vendors
-15.7%	decrease in total value of set-aside payments compared to Fiscal Year 2015
1.3%	payments to SBSP vendors as a percent of total spend by state agencies under the authority of the Chief Procurement Officer General Services (CPO-GS) and transacted under the requirements of the Illinois Procurement Code
+11.5%	increase in the percent of payments to SBSP vendors as a percent of total spend by state agencies compared to Fiscal Year 2015 (last year payments as a percent of total spend was 1.2%, so this statistic is less impressive than it may first seem)
185	unique SBSP vendors that received set-aside contract payments and that are also certified in the Business Enterprise Program (BEP)
-14.0%	decrease in the number of unique SBSP vendors also certified in BEP receiving contract payments
\$48,391,431	total value of payments to SBSP vendors also certified in BEP
-27.6%	decrease in total value of set-aside payments to SBSP vendors also certified in BEP compared to Fiscal Year 2015

A set-aside simply **limits** the pool of vendors eligible to compete for contracts, but still **promotes competition**

Setting-aside Contracts for Illinois' Small Businesses Maximizes Tax Dollars

When the State procures from small businesses registered in the Small Business Set-Aside Program (SBSP), a significant economic benefit occurs: taxpayer dollars remain in Illinois communities and the state longer than if buying from out-of-state vendors. Some economists call this the “multiplier effect”. In a study comparing the economic impact of ten Andersonville, Illinois businesses and their chain competitors, the Andersonville Development Corporation found that for every \$100 in consumer spending with a local firm, \$68 remains in the area economy compared to \$43 when spent with a chain firm.



“Small businesses” are independently owned and operated and are not dominant in their field of operation.

Additional criteria:

1. Illinois business
2. Annual gross sales:
 - * Wholesale \$13,000,000 or less
 - * Retail or Service \$8,000,000 or less
 - * Construction \$14,000,000 or less
 - * Manufacturing 250 employees or less

30 ILCS 500/45-45

Through SBSP,
the Chief Procurement Office
and state agencies use targeted
contracts to **drive economic growth**
in Illinois' cities and towns

CPO-GS Set-Aside Spend Year Over Year Comparison

\$ Total Agency Expenditures under Chief Procurement Officer for General Services (CPO-GS)

FY12	\$7,815,977,945
FY13	\$8,042,100,203
FY14	\$9,666,808,789
FY15	\$9,913,475,446
FY16	\$7,491,856,621

\$ Total SBSP Expenditures

FY12	\$64,961,275
FY13	\$80,462,026
FY14	\$165,926,193
FY15	\$114,906,261
FY16	\$96,810,791

% of Total Agency Expenditures Going to SBSP Vendors

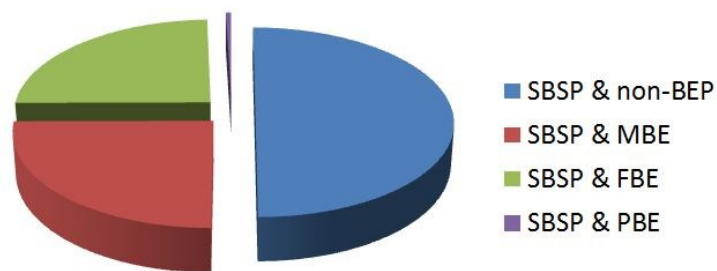
FY12	.83%
FY13	.99%
FY14	1.72%
FY15	1.16%
FY16	1.29%

\$ Total SBSP Expenditures Going to Business Enterprise Program (BEP) Vendors Enrolled in SBSP and % of Total SBSP Expenditures Going to BEP Vendors Enrolled in SBSP

FY12	\$42,525,150	69.7%
FY13	\$41,678,354	51.7%
FY14	\$66,864,891	40.3%
FY15	\$60,540,308	52.7%
FY16	\$48,391,430	50.0%

More than **2,100**
small business owners have registered
for SBSP

FY16 Spend by SBSP Vendor Type



Spend with SBSP Vendors also BEP Certified

Minority Business Enterprise (MBE)

FY12	\$22,431,894
FY13	\$21,270,755
FY14	\$22,716,960
FY15	\$27,688,793
FY16	\$24,109,552

Female Business Enterprise (FBE)

FY12	\$19,845,328
FY13	\$19,924,373
FY14	\$43,053,068
FY15	\$31,860,569
FY16	\$23,812,135

Person with Disability Business Enterprise (PBE)

FY12	\$247,927
FY13	\$483,226
FY14	\$1,094,862
FY15	\$990,946
FY16	\$469,743

In Fiscal Year 2016 920 SBSP businesses in Illinois won contracts to provide state agencies with goods and services

BEP Certified

185 BEP vendors received contract payments resulting from the Small Business Set-Aside Program; they represent 20.1% of all SBSP vendors receiving payments.

BEP vendors are at least 51% owned and controlled by persons who are minority, women, or have a disability.

Behind the Numbers

The State of Illinois operated without a budget during Fiscal Year 2016. While it was difficult to know the specific effect of the budget impasse on the Small Business Set-Aside Program's (SBSP) outcomes, anecdotal and some hard evidence suggests that the lack of payments to small businesses caused a decrease in number of available set-aside contracts, reduced the number of bidders for available contracts, and increased costs to state agencies.

There are five elements that impact SBSP spend: (1) knowledge by agency buyers on how to procure through the set-aside program, (2) regulation and monitoring by the Chief Procurement Officer for General Services (CPO-GS) of set-aside transactions, (3) the quality of set-aside contracts, (4) the quantity of set-aside contracts, and (5) the participation of SBSP vendors.

The first three elements were not significantly different between FY 2015 and FY 2016. But element #4, the quantity of available set-aside contracts, may have been reduced since total spend by state agencies went down 24.4%. Additionally, SBSP participation changed in a predictable way.

**Those contracts retained jobs,
created new ones, purchased raw
materials, financed capital equipment,
and paid taxes**

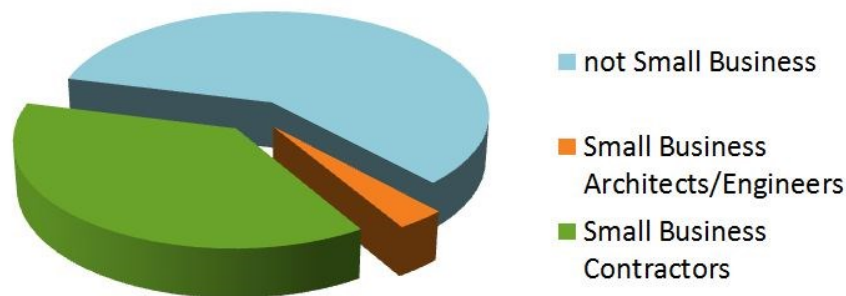
While the average number of registered SBSP vendors remained constant at approximately 2,000 businesses, their participation in the set-aside program waned. Often citing the inability to go months without receiving payment from the State, many vendors either raised the price of their bids or elected to not submit bids. Both options may be evidenced by a 4.3% increase in the dollar value of granted SBSP waivers. When a state agency has a legitimate reason for not using an SBSP vendor (including that no SBSP vendors submitted bids or their bids were unreasonably high) on a set-aside contract, then a State Purchasing Officer may grant a waiver.

Higher Education

The Illinois public universities do not utilize a small business set-aside program. Additionally, there is no standard or complete database of information regarding contracts awarded to small businesses by the universities, making it difficult to obtain and report this data. Each university maintains separate procurement and accounting systems, collects data differently and has different capabilities for extracting data. The CPO-HE encourages universities to utilize small businesses whenever possible and the universities do contract with many small business vendors. This information is reported in the Small Business Contracts Act Report that is due in the spring.

Those state contracts were valued at
\$96,810,791

FY16 CDB Spend with Small Businesses



Capital Development Board

The Capital Development Board (CDB) has a long history of utilizing small business firms in the design and construction of the State's buildings. When one of the State's 8,400 properties requires repair or renovation, CDB manages the project. Many projects involve modernizing facilities to meet accessibility standards and protecting the lives and safety of Illinois residents by removing such environmental hazards as asbestos and lead.

Since CDB's percentage of contracting with small businesses continually exceeds the 10% statewide goal and most CDB vendors are small businesses, the Chief Procurement Officer for the Capital Development Board (CPO-CDB) has not established a small business set-aside. CDB and the CPO-CDB routinely measure the overall pool of prequalified vendors, as well as those who receive contracts, to evaluate the need for a set-aside program. Nearly all of the CDB's contracts are awarded to vendors that are prequalified to bid by the CDB.

In Fiscal Year 2016, 67% of all CDB prequalified firms are small businesses. In Fiscal Year 2016, seventy five contracts representing 76% of CDB contracts awarded were awarded to small businesses.

100% of state agencies are participating and attempting to procure through SBSP

The total spend with small business is as follows:

<u>Fiscal Year</u>	<u>Contract Type</u>	<u>Total Spend \$</u>	<u>Total Spend \$ to Small Business</u>	<u>Percentage of Contracts</u>
FY 2014	Total	\$213,116,530	\$60,347,095	28.3%
FY2015	Total	\$300,833,450	\$56,187,474	18.7%
FY2016	Architects/Engineers	\$2,179,895	\$2,047,123	91%
FY2016	Contractors	\$61,207,300	\$24,496,699	40%
FY2016	Total	\$63,387,195	\$26,543,823*	<u>42%</u>

*\$8,019,452 Spend with small businesses also certified in the BEP Program

Fiscal Year 2016 participation data indicates that:

- Most prequalified vendors are small businesses
- CDB awards most contracts to small businesses
- CDB exceeds small business participation goals

The CPO-CDB continues to monitor the value of contracts awarded to small business to evaluate the need for a set-aside program. The FY16 performance of 42% of total spend to small business is an increase from prior years. This participation level does not include the participation by subcontractors on construction projects, most of which are small businesses. As a result, actual participation of small businesses is much larger than just the participation by prime contractors identified in this report.

The CPO-CDB and CDB recognize the vital role small businesses play in CDB projects at the subcontractor level and believe they should be counted in the achievement numbers. Regardless of the method for delivering a project, vertical construction is largely performed through tiers of subcontractors and material suppliers, the majority of whom are likely to be small businesses. The CPO-CDB has encouraged CDB to track and calculate the role small businesses play in CDB projects at the subcontractor level. The CPOs continue to encourage legislative changes that will recognize all small business participation by including subcontractor contracts in the overall participation measurement.

185 SBSP businesses that are also certified in the Business Enterprise Program (BEP) won contracts

Agency Small Business Spend Year Over Year Comparison

State Agency	FY13	FY14	FY15	FY16
AGING	\$103,894	\$123,550	\$242,503	\$11,331
AGRICULTURE	\$1,249,192	\$1,273,566	\$1,444,815	\$315,473
ARTS COUNCIL	\$71,000	\$39,625	\$52,929	\$741
BOARD OF HIGHER EDUCATION	\$0	\$60,071	\$21,404	\$1,593
BOARD OF ELECTIONS	\$0	\$0	\$277,843	\$176,795
CENTRAL MANAGEMENT SERVICES	\$9,839,054	\$21,016,192	\$20,255,291	\$10,737,289
CHILDREN AND FAMILY SERVICES	\$2,099,615	\$3,587,163	\$2,292,753	\$2,998,476
CIVIL SERVICE COMMISSION	\$0	\$3,075	\$106	\$0
COMMERCE AND ECONOMIC OPPORTUN	\$243,950	\$108,209	\$0	\$163,475
COMMERCE COMMISSION	\$18,477	\$130,863	\$152,691	\$133,055
COMMUNITY COLLEGE SYSTEM	\$2,284	\$6,628	\$24,943	\$569
CORRECTIONS	\$11,436,824	\$17,632,684	\$15,216,187	\$3,819,179
COUNCIL ON DEVELOPMENTAL DISAB	\$13,644	\$18,134	\$2,838	\$2,389
CRIMINAL JUSTICE INFO. AUTHORITY	\$39,487	\$20,495	\$28,085	\$150,000
DEAF & HARD OF HEARING COMM	\$7,960	\$28,655	\$16,840	\$3,705
EDUCATIONAL LABOR RELATIONS BOARD	\$32,516	\$20,666	\$19,341	\$1,458
EMERGENCY MANAGEMENT AGENCY	\$521,653	\$520,383	\$379,894	\$717,089
EMPLOYMENT SECURITY	\$206,381	\$1,576,580	\$1,235,070	\$2,500,877
ENVIRONMENTAL PROTECT AGENCY	\$756,572	\$842,529	\$1,277,487	\$3,099,413
EXECUTIVE ETHICS COMMISSION	\$10,673	\$1,821	\$2,566	\$0
FINANCIAL AND PROFESSIONAL REG	\$1,347,880	\$1,843,594	\$577,663	\$161,990
GAMING BOARD	\$35,356	\$44,745	\$73,274	\$110,895
GUARDIAN & ADVOCACY COMM	\$20,000	\$17,620	\$0	\$0
HEALTHCARE & FAMILY SERVICES	\$5,422,685	\$6,040,622	\$3,276,574	\$1,790,985

Those SBSP contracts won
by BEP businesses were valued at
\$48,391,431

State Agency	FY13	FY14	FY15	FY16
HISTORIC PRESERVATION AGENCY	\$450,000	\$1,057,343	\$131,643	\$0
HUMAN RIGHTS	\$80,231	\$0	\$0	\$0
HUMAN RIGHTS COMMISSION	\$4,495	\$0	\$0	\$0
HOUSING DEVELOPMENT AUTHORITY	\$220,828	\$296,064	\$91,216	\$50,649
HUMAN SERVICES	\$11,984,126	\$15,099,858	\$8,430,879	\$7,478,954
INSURANCE	\$107,661	\$279,608	\$152,509	\$120,274
JUVENILE JUSTICE	\$860,534	\$1,127,159	\$1,168,610	\$678,439
LABOR	\$22,270	\$13,900	\$0	\$15,064
LOTTERY	\$322,420	\$0	non responsive	\$221,681
MATH AND SCIENCE ACADEMY	N/A	N/A	N/A	\$878,615
MILITARY AFFAIRS	\$1,907,649	\$2,182,831	\$1,969,532	\$1,051,585
NATURAL RESOURCES	\$3,739,397	\$4,529,089	\$5,385,609	\$361,563
OEIG	\$6,402	\$2,846	\$0	\$0
OFFICE OF THE STATE FIRE MARSH	\$672,221	\$590,770	\$68,553	\$120,234
PRISONER REVIEW BOARD	\$1,193	\$10,711	\$1,874	\$1,879
POWER AUTHORITY	\$0	\$0	\$275	\$0
PUBLIC HEALTH	\$1,646,606	\$1,148,195	\$639,282	\$503,713
RACING BOARD	\$0	\$14,400	\$0	\$8,365
REVENUE	\$1,862,998	\$2,080,542	\$811,422	\$415,876
STATE BOARD OF EDUCATION	\$582,597	\$222,061	\$2,078,726	\$4,299,996
STATE POLICE	\$2,585,209	\$1,677,795	\$1,829,064	\$377,552
STATE POLICE MERIT BOARD	\$0	\$0	\$36,440	\$0
STUDENT ASSISTANCE COMMISSION	\$101,810	\$1,836,879	\$2,302,366	\$958,726
TOLL HIGHWAY	\$7,435,709	\$9,561,942	\$27,092,326	\$31,622,893
TRANSPORTATION	\$7,216,076	\$62,756,526	\$9,282,806	\$48,897,341
VETERANS' AFFAIRS	\$5,104,464	\$6,413,821	\$6,562,032	\$6,107,536

Chief Procurement Office Contact Information (Print This Page)

OUR 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.

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We're on Facebook (twice), search:

State of Illinois Small Business Set-Aside Program
Illinois' Pathway to Procurement

HOW DOES A BUSINESS APPLY FOR SBSP?

To participate in SBSP, businesses must complete an application in the Illinois Procurement Gateway at <https://ipg.vendorreg.com>. When applying, the business must be registered with other State of Illinois agencies as necessary to conduct business, including the State Board of Elections, Department of Human Rights (to obtain a Public Contract Number), and the Secretary of State.

Need help applying for the SBSP? 1:1 Assistance is available. We like to be helpful.

Call us: 217.782.1270
Email us: IPG@illinois.gov