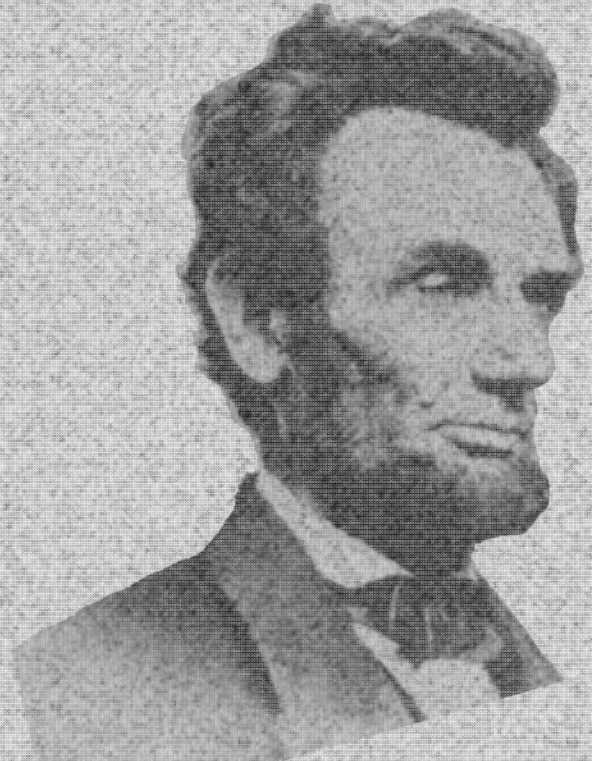


**State of Illinois  
Chief Procurement Office**

**FY 2012  
Small Business Set-Aside Program  
Annual Report**



*“My purpose is to be, in my action, just and constitutional; and yet practical,  
in performing the important duty, with which I am charged...”*

*August 7, 1863*

**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.**

Illinois’ four independent Chief Procurement Officers (CPO) have a fiduciary responsibility to the taxpayers of the state. Each CPO appoints agency and university-based State Purchasing Officers (SPO) to exercise the CPOs’ procurement authority.

The CPOs ensure that procurements made by the State are transparent, accountable, and in the best interest of the State. Where possible, a competitive bid process is used and an award is made to the lowest-cost responsible and responsive bidder. It is the express duty of all CPOs and SPOs to maximize the value of procurements and to act in a manner that maintains the integrity and public’s trust of State government.

**SBSP: EFFECTIVENESS**

Each year the State of Illinois spends billions of dollars making it one of the largest purchasers of goods and services in the state. To promote the growth of small and independently owned businesses in Illinois, the General Assembly has created several statutory programs to help small businesses obtain state contracts. The Small Business Set-Aside Program (SBSP), established as part of the Illinois Procurement Code (30 ILCS 500/45-45), is one of those programs and is the subject of this report.

In Fiscal Year 2012, the Chief Procurement Office implemented a strategic plan to increase the number and value of contracts with small businesses. The investment in the SBSP moved state contracting with small businesses forward and yielded a good return. In Fiscal Year 2012, 1,730 small businesses won contracts valued at \$64,961,275 through the SBSP. While the number of vendors awarded contracts went down by 433 compared to Fiscal Year 2011, the value of the contracts awarded increased by 38.9%.

The \$64,961,275 is .83% of the total \$7,815,977,945 awarded by state agencies under the authority of the CPO-GS and transacted under the requirements of the Illinois Procurement Code. This increased over Fiscal Year 2011 when SBSP spend represented .64% of the total.

While enrollment in 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 4,300; a long overdue cleansing of out-of-business and disinterested vendors purged several thousand from the program in January 2012. The retention rate for re-qualifying vendors improved by an estimated 50% due to newly developed procedures.

1,730 unique vendors won SBSP contracts accounting for approximately 27.7% of registered vendors.

**SBSP: STATISTICS**

|  |   |                 |
|--|---|-----------------|
| Total Contract Expenditures                      | = | \$7,815,977,945 |
| SBSP Expenditures                                | = | \$64,961,275    |
| % of Total Contract Expenditures to SBSP Vendors | = | .83%            |
| SBSP Expenditures to BEP Vendors                 | = | \$42,525,150    |
| % of SBSP Expenditures to BEP Vendors            | = | 69.7%           |
| Number of agencies increasing SBSP awards        | = | 34              |

**Transparency**

**Fairness**

**Integrity**

**SBSP: EFFECTIVENESS** Cont.

Of the winning vendors, 231 (13.4%) are also certified in the State’s Business Enterprise Program (BEP). These BEP vendors won contracts totaling \$42,525,150 which is 69.7% of the total SBSP spend. While the number of BEP vendors winning awards decreased by 1,311 , the value of awards increased by \$10,701,118.

State agency participation in Fiscal Year 2012 increased by 5.5%. 56 State agencies, versus 53 in Fiscal Year 2011, contracted with registered small businesses.

**SBSP: OVERVIEW**

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

**Additional criteria to participate in the SBSP.**

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

The Procurement Code requires that the CPOs submit a report by December 1 of each year regarding contracting activity under the small business set-aside provision of the Procurement Code. Historically and currently, only the Chief Procurement Officer for General Services (CPO-GS) has a Small Business Set-Aside Program (SBSP). This report, while submitted by the four CPOs, reflects set-aside activity by state agencies under the jurisdiction of the CPO-GS. The report identifies contracting activity under the SBSP and does not reflect small business contracts awarded outside this program. The report required under the Small Business Contracts Act (Public Act 96-307) provides additional information regarding contracting with small businesses. Currently, there are no small business set-asides for vendors of construction or selling to universities.

The Chief Procurement Officer for the Capital Development Board (CPO-CDB) has never exercised authority to set-aside contracts for small businesses. Nearly all of the Capital Development Board’s (CDB) contracts are awarded to vendors who are required to be prequalified in order to submit bids or offers. CDB and the CPO-CDB have routinely measured the pool of prequalified vendors, as well as those vendors who receive contracts, to evaluate the possible need for a set-aside program. As of the end of FY 2012, 717 of the 1,007 architectural/engineer (“A/E”) firms prequalified with CDB fell under the small business threshold, and 868 of 952 construction firms. Of 109 contracts awarded to A/E firms in FY 2012, 81 were awarded to A/E firms falling under the small business threshold, and of 155 construction contracts awarded, 83 were awarded to firms falling under the small business threshold. Because these measurements have disclosed that most prequalified vendors are small

businesses, and that most contracts are awarded to small businesses, no formal set-aside program has ever been adopted.

However, the CPO-CDB continues to monitor the value of contracts awarded to continue to evaluate the need for a set-aside program; indeed, these values appear to have decreased during FY 2012. Approximately 39% of the \$125,500,000 in contracts awarded in FY 2011 was awarded to small businesses, while in FY 2012 approximately 10.5% was awarded to small businesses (\$30,014,229 of \$287,710,891). CDB attributes the FY 2012 decrease largely to an increase in single prime contract awards. Single prime may be used when the project budget is at least \$15,000,000. On a single prime project, CDB enters into a construction contract with one vendor, versus the typical process of direct contracts with several vendors oriented around construction trades (electrical, plumbing, general, etc.). This is certainly a reasonable explanation for the decrease, but the decline in overall value of prime contractor awards to small businesses warrants better tracking and continued analysis. Additionally, regardless of the method for delivering a project, construction is largely performed through tiers of subcontractors, and material suppliers, the majority of whom are likely to be small businesses.

**Value**

**Accountability**

## SBSP: STRATEGY

A “set-aside” is a preference where the procurement is limited to participation by small businesses only, excluding all other businesses from participating in the business opportunity. Only proposals from small businesses are accepted and an award will be made only if the price is fair and reasonable. Under certain circumstances, an agency may request and be granted a waiver from using a small business.

Strong and growing local economies require strong and growing local businesses. When the state purchases from Illinois businesses, tax dollars stay in Illinois longer than when purchasing from out-of-state vendors. Ensuring that Illinois’ small businesses take maximum advantage of set-aside contracts required developing a well conceived Small Business Set-Aside Program (SBSP) strategic plan.

The Chief Procurement Office implemented a three year strategic plan to increase the value of contracts with small businesses. While the actions yielded immediate results, including increased awards to SBSP participating vendors and new public/private partnerships, there is much work to be done.

1. **EDUCATE agency procurement staff.** Over a six month period, the Chief Procurement Office trained more than 100 procurement staff in all agencies. Training topics included the value of the SBSP and the steps in conducting set-aside procurements. Agencies have increased use of the SBSP small business database resulting in increased awards.
2. **MARKET to Illinois businesses.** Informing more than 1,000,000 small businesses in Illinois of the SBSP is a challenge. As a first step, the Chief Procurement Office built the marketing foundation to increase the small business database from 4,000 active participants to 10,000 in the next twelve months. Only businesses enrolled in the database are eligible to submit for set-aside contracts; applications are expected to show an increase of 45% over the previous calendar year.

To create an online presence, a webpage ([www2.illinois.gov/cpo/general/Pages/Sell2Illinois](http://www2.illinois.gov/cpo/general/Pages/Sell2Illinois)) and facebook page (<http://www.facebook.com/StateOfIllinoisSmallBusinessSetAsideProgram>) were created. If funds are available in the future, then SBSP will create a stand-alone web page and online application for enrollment.

Effort to simplify the enrollment process led to re-designing the application and re-qualification procedures and forms. The re-design led to fewer vendor mistakes when completing the forms, faster application processing, and a higher retention rate of SBSP participants.

To meet directly with business owners, SBSP staff presented at events around Illinois, including the State Chamber of Commerce’s Small Business Conference, two “Mission: Veterans 2 Entrepreneurs” conferences sponsored by the Illinois Department of Veteran’s Affairs, and the annual meeting of Small Business Development Centers. SBSP staff spoke with more than 150 business owners and SBDC directors and managers.

A critical component of the strategic plan is the addition or removal of categorical set-aside contracts. SBSP staff analyze product and service categories for those that make sense to add to the 64 existing set-aside categories. After comparing the state’s annual need for court reporting services with the supply of Illinois court reporting businesses, and considering the potential impact on large businesses, the CPO for General Services added court reporting as the 65th set-aside category. The analysis of categories for addition or deletion is on-going.

**Exclusively for  
Small Business Competition:**

**65 designated categories**

**One-time purchases of  
\$50,000 or less**

**1,730 small businesses in Illinois won \$64.6 million in state contracts through the SBSP.**

**SBSP: STRATEGY cont.**

3. **LEVERAGE state resources.** Illinois has a number of state government programs to assist small business owners succeed. However, few of the programs have worked together to actively cross-promote one another. To encourage understanding of each program and explore areas of collaboration, the CPO for General Services formed a Small Business Coalition comprised of stakeholders whose purpose is serving small business. The Coalition has met several times and will continue to meet on a regular basis.

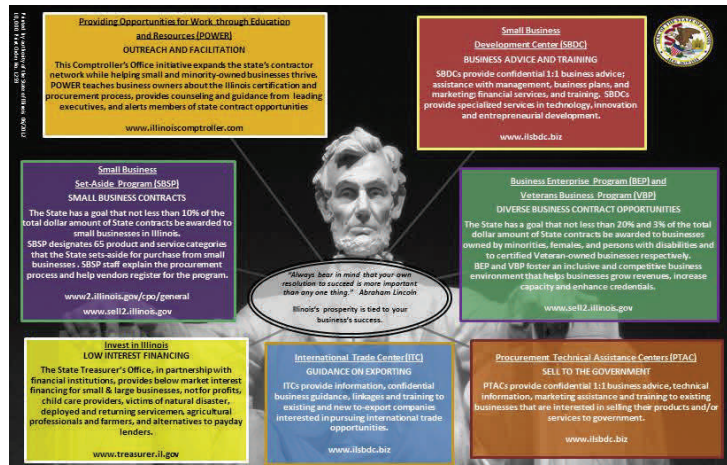
One objective of the Coalition is to better connect business clients with state resources. Another objective is to share the expense of exhibiting at trade shows and conferences.

Examples where leveraging resources occurred:

- The Coalition printed and continues to distribute a postcard that describes seven State-run small business programs.
- The State Chamber of Commerce provided exhibition space and speaking opportunities at their Small Business Conference and Expo.
- The Department of Commerce and Economic Opportunity printed and mailed 72,000 postcards promoting SBSP and SBDCs to targeted Illinois small businesses.
- SBSP staff trained SBDC, PTAC, and POWER program staff on the benefits of the SBSP and in application procedures.

The Small Business Coalition includes:

- Small Business Set-Aside Program — Chief Procurement Office
- Business Enterprise Program — Central Management Services
- International Trade Center — Department of Commerce and Economic Opportunity (DCEO)
- Small Business Development Centers — DCEO
- Procurement Technical Assistance Centers — DCEO
- Mission: Veterans 2 Entrepreneurs program — Illinois Department of Veteran’s Affairs
- POWER program — Illinois Comptroller
- Invest in Illinois — Illinois Treasurer
- US Small Business Administration
- State Chamber of Commerce



Small Business Coalition Postcard

**“The Department of Natural Resources has been very proactive to utilize small business vendors for all procurement needs under \$50,000. Director Miller supports and encourages all staff to reach out to local vendors and provide the tools necessary to accomplish certification as a small business in SBSP and retain the business by ensuring vendor payments are processed timely.”**

**Karen Rueter, Procurement Manager at the Department of Natural Resources**

## ANNUAL SBSP SPEND BY AGENCY FOR FISCAL YEARS 2011 and 2012

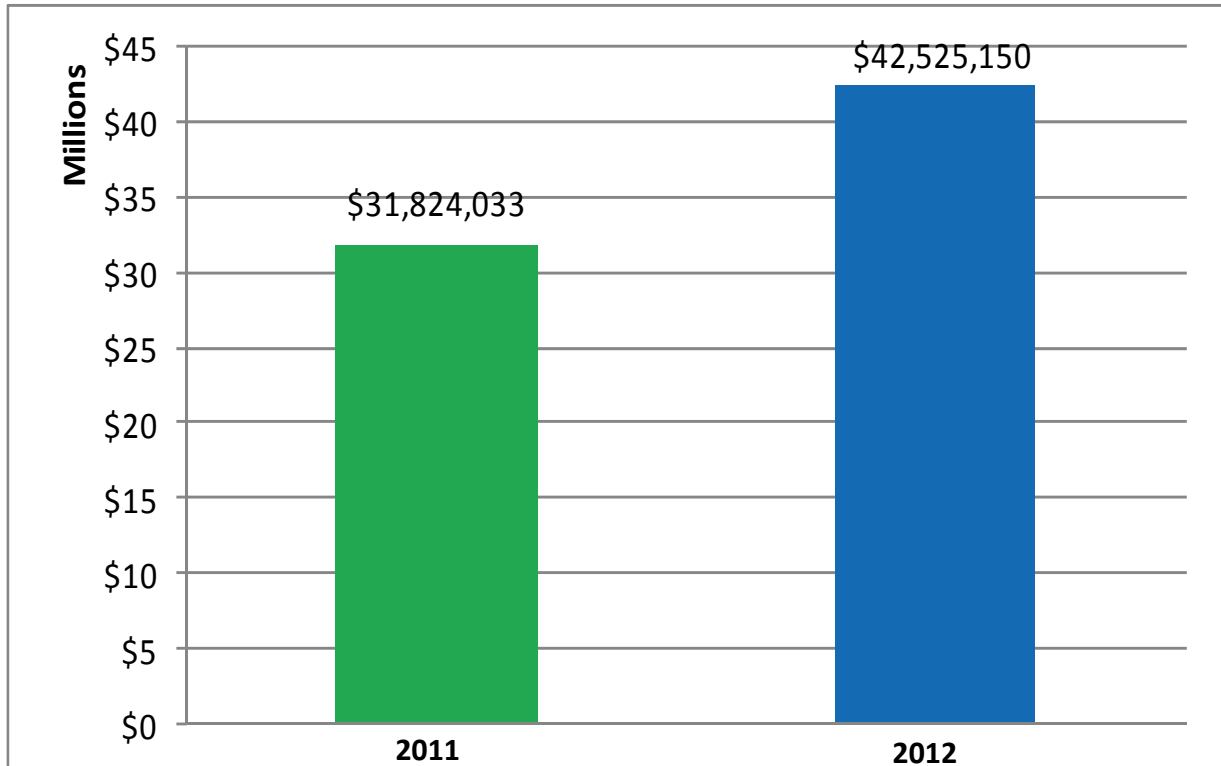
| State Agency                          | FY11         | FY12         |
|---------------------------------------|--------------|--------------|
| AGING                                 | \$0          | \$4,335      |
| AGRICULTURE                           | \$2,243,431  | \$2,423,484  |
| ARTS COUNCIL                          | \$12,425     | \$73,031     |
| BOARD OF HIGHER EDUCATION             | \$0          | \$5,800      |
| CENTRAL MANAGEMENT SERVICES           | \$7,962,400  | \$8,985,409  |
| CHILDREN AND FAMILY SERVICES          | \$236,578    | \$309,702    |
| CIVIL SERVICE COMMISSION              | \$0          | \$0          |
| COMMERCE AND ECONOMIC OPPORTUNITY     | \$0          | \$391,950    |
| COMMERCE COMMISSION                   | \$0          | \$15,564     |
| COMMUNITY COLLEGE SYSTEM              | \$22,644     | \$8,058      |
| CORRECTIONS                           | \$10,609,105 | \$11,334,327 |
| COUNCIL ON DEVELOPMENTAL DISABILITIES | \$2,489      | \$6,719      |
| CRIMINAL JUSTICE INFO. AUTHORITY      | \$4,288      | \$29,154     |
| DEAF & HARD OF HEARING COMMISSION     | \$617        | \$2,310      |
| EDUCATIONAL LABOR RELATIONS BOARD     | \$0          | \$20,677     |
| EMERGENCY MANAGEMENT AGENCY           | \$117,034    | \$210,590    |
| EMPLOYMENT SECURITY                   | \$487,348    | \$434,442    |
| ENVIRONMENTAL PROTECT AGENCY          | \$1,032,458  | \$351,841    |
| EXECUTIVE ETHICS COMMISSION           | \$0          | \$84,529     |
| FINANCE AUTHORITY                     | \$92,070     | \$3,463      |
| FINANCIAL AND PROFESSIONAL REG        | \$48,949     | \$1,006,751  |
| GAMING BOARD                          | \$12,562     | \$22,798     |
| GUARDIAN & ADVOCACY COMM              | \$8,567      | \$8,425      |
| HEALTH INFORMATION TECHNOLOGY         | \$0          | \$4,576,650  |
| HEALTHCARE & FAMILY SERVICES          | \$217,642    | \$0          |
| HISTORIC PRESERVATION AGENCY          | \$201,740    | \$198,519    |
| HUMAN RIGHTS                          | \$0          | \$96,264     |

**The value of state contracts awarded to small businesses through the SBSP increased 38.9% over the previous fiscal year.**

**ANNUAL SBSP SPEND BY AGENCY FOR FISCAL YEARS 2011 and 2012**

| State Agency                         | FY11        | FY12        |
|--------------------------------------|-------------|-------------|
| HUMAN RIGHTS COMMISSION              | \$0         | \$4,983     |
| HOUSING AND DEVELOPMENT AUTHORITY    | \$0         | \$93,132    |
| HUMAN SERVICES                       | \$6,371,415 | \$5,810,267 |
| INSURANCE                            | \$120,251   | \$101,270   |
| JUVENILE JUSTICE                     | \$993,401   | \$797,556   |
| LABOR                                | \$20,014    | \$20,550    |
| LABOR RELATIONS BOARD                | \$19,127    | \$54,386    |
| LAW ENFORCEMENT TRNG & STNDRDS BOARD | \$0         | \$0         |
| LOTTERY                              | \$0         | \$0         |
| MATH AND SCIENCE ACADEMY             | \$77,971    | \$641,649   |
| MEDICAL DISTRICT                     | \$0         | \$0         |
| MILITARY AFFAIRS                     | \$1,471,953 | \$1,966,151 |
| NATURAL RESOURCES                    | \$1,896,880 | \$3,851,732 |
| OEIG                                 | \$0         | \$7,640     |
| OFFICE OF THE STATE FIRE MARSH       | \$75,152    | \$464,591   |
| POWER AUTHORITY                      | \$0         | \$0         |
| PRISONER REVIEW BOARD                | \$0         | \$4,803     |
| PROCUREMENT POLICY BOARD             | \$0         | \$0         |
| PROPERTY TAX APPEAL BOARD            | \$10,615    | \$0         |
| PUBLIC HEALTH                        | \$599,638   | \$428,264   |
| RACING BOARD                         | \$0         | \$3,739     |
| REVENUE                              | \$421,366   | \$728,504   |
| STATE POLICE                         | \$697,784   | \$2,025,950 |
| STATE POLICE MERIT BOARD             | \$0         | \$88        |
| STATE UNIV. CIVIL SERVICE SYSTEM     | \$0         | \$0         |
| STUDENT ASSISTANCE COMMISSION        | \$112,667   | \$131,017   |
| TOLL HIGHWAY                         | \$1,216,378 | \$6,347,680 |
| TRANSPORTATION                       | \$8,702,681 | \$6,889,190 |
| VETERANS' AFFAIRS                    | \$619,124   | \$3,455,990 |
| WORKERS' COMPENSATION COMMISSION     | \$17,860    | \$527,352   |

### TOTAL SBSP SPEND FOR FISCAL YEARS 2011 and 2012



#### BUSINESS ENTERPRISE PROGRAM (BEP): STATISTICS

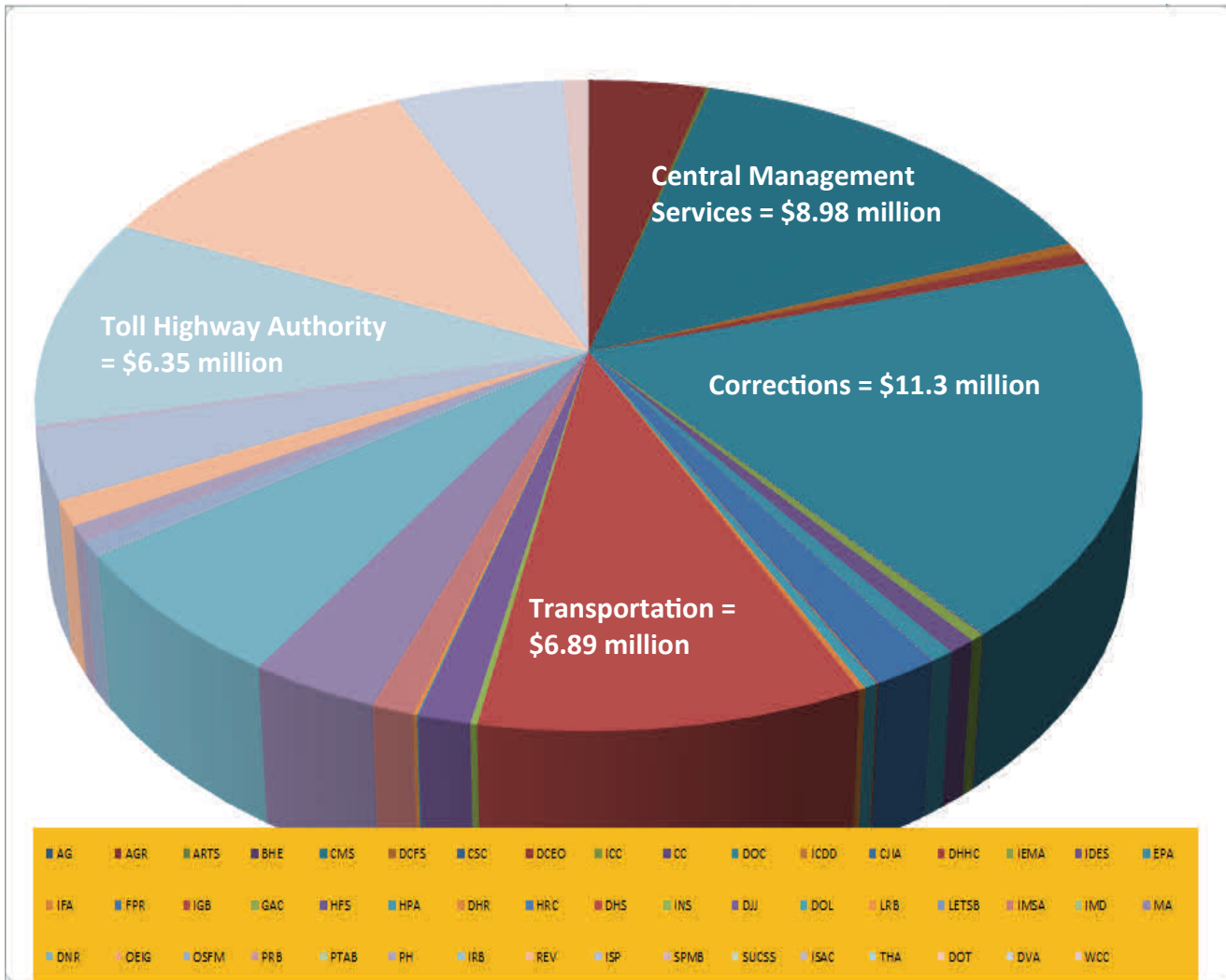
231 vendors that won SBSP contracts were certified BEP businesses. BEP vendors are at least 51% owned and controlled by persons who are minority, women, or have a disability. Additional information about contracting with vendors can be found in the report issued by the Department of Central Management Services on behalf of the Business Enterprise Council. In Fiscal Year 2012, BEP vendors had a 33.6% increase in total awards and was 69.7% of the total SBSP awards.

|  | Fiscal Year 2011    | Fiscal Year 2012    |
|--|---------------------|---------------------|
| Minority Business Enterprise               | \$14,661,486        | \$22,431,894        |
| Female Business Enterprise                 | \$16,934,864        | \$19,845,328        |
| Person with Disability Business Enterprise | \$227,683           | \$247,927           |
| <b>Total</b>                               | <b>\$31,824,033</b> | <b>\$42,525,149</b> |

**In Fiscal Year 2012, SBSP vendors dually certified in the BEP program experienced a 33.6% increase in the total amount of awards compared to Fiscal Year 2011.**



## FISCAL YEAR 2012 SBSP SPEND BY AGENCY



### TOP 10 STATE AGENCIES BY SPEND

|                                      |            |                     |
|--------------------------------------|------------|---------------------|
| <b>CORRECTIONS</b>                   | <b>DOC</b> | <b>\$11,334,327</b> |
| <b>CENTRAL MANAGEMENT SERVICES</b>   | <b>CMS</b> | <b>\$8,985,409</b>  |
| <b>TRANSPORTATION</b>                | <b>DOT</b> | <b>\$6,889,190</b>  |
| <b>TOLL HIGHWAY</b>                  | <b>THA</b> | <b>\$6,347,680</b>  |
| <b>HUMAN SERVICES</b>                | <b>DHS</b> | <b>\$5,810,267</b>  |
| <b>HEALTH INFORMATION TECHNOLOGY</b> | <b>HIT</b> | <b>\$4,576,650</b>  |
| <b>NATURAL RESOURCES</b>             | <b>DNR</b> | <b>\$3,851,732</b>  |
| <b>VETERANS AFFAIRS</b>              | <b>DVA</b> | <b>\$3,455,990</b>  |
| <b>AGRICULTURE</b>                   | <b>AGR</b> | <b>\$2,423,484</b>  |
| <b>STATE POLICE</b>                  | <b>ISP</b> | <b>\$2,025,950</b>  |