

**DATE:** November 30, 2020  
**FROM:** Maria Oldani, Chief Procurement Officer  
**SUBJECT:** Small Business Annual Report

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## **Procurement Report Summary**

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The following section encompasses information gathered on the award of contracts to small businesses by the Illinois State Treasurer's Office ("Treasurer's Office").

This report will (1) share current policies in place relating to small business vendors contracted by the Treasurer's Office and (2) share current utilization data and information regarding implementation.

This section includes two parts:

1. Policies and Procedures Relating to Small Business Contractors
  2. Utilization Data and Implementation
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### **Policies and Procedures relating to Small Business Contractors**

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#### Policies

Section 1400.4560(g) of the administrative rules governing procurement for the Treasurer's Office (44 Ill. Adm. Code 1400; "Rules") require that the Chief Procurement Officer annually before December 1 report in writing to the General Assembly concerning the awarding of contracts to small businesses. The report will include the total value of awards made in the preceding fiscal year under the designation of small business set-aside. The requirement for reporting to the General Assembly will be satisfied by filing copies of the report as required by Section 3.1 of the General Assembly Organization Act [25 ILCS 5/3.1]. 44 Ill. Adm. Code 1400.4560(g).

#### 1) Set-Aside

The Chief Procurement Officer may designate as small business set-asides a fair proportion of contracts for the provision of goods and services for award to small businesses in Illinois. A set-aside designation may last indefinitely or for a stated period of time. 44 Ill. Adm. Code 1400.4560(a).

#### 2) Required Use

If the Treasurer's office wishes to make a procurement covered by a set-aside designation, the solicitation must note that responses are limited to those from responsible small businesses. Bids, proposals or responses received from large businesses will be rejected as nonresponsive. 44 Ill. Adm. Code 1400.4560(b).

### 3) Withdrawal of Set-Aside

If the Chief Procurement Officer determines that acceptance of the best bid, proposal or response will result in the payment of an unreasonable price, the Chief Procurement Officer will reject all bids, proposals or responses and withdraw the designation of small business set-aside for the procurement in question. When a small business set-aside is withdrawn, notification must be published as provided in Section 1400.1505 with an explanation. After withdrawal of the small business set-aside, the procurement will be conducted in accordance with the requirements of this Part. 44 Ill. Adm. Code 1400.4560(c).

### 4) Criteria for Small Business

Unless the Chief Procurement Officer provides a definition for a particular procurement that reflects industrial characteristics, a small business is one:

- a) Independently owned and operated.
- b) Not dominant in its field of operations. This means the business does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged. In determining dominance, consideration must be given to all appropriate factors, including volume of business, number of employees, financial resources, competitive status or position, ownership or control of materials, processes, patents, license agreements, facilities, sales territory, and nature of business activity.
- c) With annual sales for the most recently ended fiscal year no greater than:
  1. \$13,000,000 for wholesale business;
  2. \$8,000,000 for retail business or businesses selling services; or
  3. \$14,000,000 for construction business.
- d) With no more than 250 employees if a manufacturing business.
  1. A manufacturing business must calculate how many people it employs by determining its average full-time equivalent employment, based on the number of persons employed on a full-time, part-time, temporary or other basis for its most recently ended fiscal year.
  2. If a manufacturing business has been in existence for less than a full fiscal year, its average employment should be calculated for the period that it has been in existence.

- e) If both a wholesaler and a retailer, the combined wholesale and retail annual sales for its most recently completed fiscal year may not exceed \$16,000,000. The retail component may not exceed \$6,000,000 and the wholesale component may not exceed \$10,000,000.
- f) When computing the size status of a vendor, the number of employees and annual sales and receipts, as applicable, of the vendor and all affiliates must be included. Concerns are affiliates when either one directly or indirectly control or have the power to control the other, or when a third party or parties control or have the power to control both. In determining whether concerns are independently owned and operated and whether or not affiliation exists, consideration must be given to all appropriate factors, including use of common facilities, common ownership and management and contractual arrangements. However, a franchise relationship does not affect small business status if the franchise has the right to profit commensurate with ownership and bears the risk of loss or failure.

44 Ill. Adm. Code 1400.4560(d).

To this end, the Treasurer's Office seeks to further define, for the purposes of its procurements, which may even vary by solicitation, the appropriate definition of "small business." The Treasurer's Office identified one such solicitation appropriate as a small business set-aside in Fiscal Year 2020, which is specifically discussed below.

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### **Utilization Data and Implementation**

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As noted, the Chief Procurement Officer currently may designate as small business set-asides a fair proportion of contracts for the provision of goods and services for award to small businesses in Illinois. In Fiscal Year 2020, the Treasurer's Office published one such solicitation, a Request for Proposals Investment Managers for Investment Grade Credit and Municipal Bonds ("RFP"). For the specific services sought in this RFP, the Treasurer's Office included as small businesses, eligible to submit a proposal, those that met the following criteria:

- a) for purposes of investment grade credit bonds, has less than \$96.8 billion in total firm assets under management;
- b) for purposes of municipal bond investments, has less than \$18.6 billion in municipal bond assets under management; and
- c) has no more than 100 employees.

This RFP resulted in two contracts awarded to small businesses. Both contractors will earn a percentage of amounts invested on behalf of the Treasurer's Office. These two small businesses have earned a combined \$267,238.20 from the April 15, 2020 effective dates of their contracts through the end of Fiscal Year 2020. Their contracts span over the tenure of four years, with the Treasurer's Office having the option to extend them up to a total of six additional years.

While Section 1400.4560 of the Rules requires no specific frequency or volume of small business set-aside solicitations, the Treasurer's Office encourages small business participation.

Further, beyond public procurement opportunities, the Treasurer's Office attempts to select not only small business vendors for goods and services but also local companies. To that end, through Fiscal Year 2020 contracts that did not require a competitive bidding selection, the Treasurer's Office awarded \$84,549.50 to small businesses registered through the State's Chief Procurement Officer for General Services.