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March 29, 2022

The Honorable Shane E. Pendergrass
Chair, House Health and Government Operations Committee
241 House Office Building
Annapolis, Maryland 21401

***Re: Letter of Information – Senate Bill 644 – State Procurement - Preferences -
Historically Underutilized Business Zone Businesses***

Dear Chair Pendergrass and Committee Members:

The Governor's Office of Small, Minority & Women's Business Affairs (GOSBA) respectfully submits the following concerns for the Committee's consideration with regard to SB644 and its potentially wide sweeping impact on the Maryland small business community as a whole as well as the operational impact on this office.

This legislation has the effect of creating a new socio-economic procurement preference program and charges GOSBA with adopting regulations, reporting performance, and evaluating the program's effectiveness.

GOSBA is concerned that having **four** competing preference programs with goals on any given procurement could deter robust competition/interest in state procurements. As it stands, the Minority Business Enterprise Program has an overall goal of 29%, the Small Business Reserve Program has a goal of 15%, and the Veteran-Owned Small Business Enterprise Program has a goal of 1%. The proposed HUB Zone Business Enterprise Program would add an additional goal of 10%. That's a potential total of 55% in subcontracting or direct contracting goals with specific groups, leaving very little flexibility for prime vendors.

In addition, we are also concerned that existing small businesses may be adversely impacted. Maryland's small business threshold as defined in SFP §14-501 differs significantly from the qualifying small business thresholds at the Federal level. Maryland's revenue and employee qualifying thresholds are significantly lower. As a result, this bill may put Maryland's small businesses in direct competition with much larger companies with greater assets, effectively drowning them out.

Implementation would have significant fiscal impact as well. To effectively manage a new procurement preference program such as the bill calls for, there would be a need for additional full-time personnel. Current procurement preference programs administered by GOSBA have at least two staff persons designated to the policy, advocacy, training, compliance and reporting associated with the program.

Additional financial resources would have to be allocated to the following:

- the cost of building a platform and staff to facilitate business registrations
- developing a process for identifying, vetting, certifying, and auditing qualifying businesses
- outreach to the targeted small business community

GOSBA respectfully requests the committee's consideration of the aforementioned concerns in its review of SB644.

Respectfully submitted,

Pamela R. Gregory
Chief of Staff
Governor's Office of Small, Minority & Women Business Affairs