



## MARYLAND STATE TREASURER

Dereck E. Davis

### **Testimony of the Maryland State Treasurer's Office**

#### **House Bill 500: Procurement Reform Act of 2025**

#### **Position: Favorable with Amendments**

#### **Senate Budget and Taxation Committee**

**March 26, 2025**

The State Treasurer, as one of three members of the Board of Public Works (BPW or Board), is in the unique position of understanding both the importance of the Board's oversight as well as the need to increase efficiencies in the State's procurement processes for the benefit of all involved. House Bill 500 seeks to fulfill this need by streamlining processes, consolidating programs, and clarifying existing procurement laws.

As introduced, the bill contained four provisions that shifted, altered, or diminished BPW's authority to review and approve (1) expedited procurements, (2) contract modifications, (3) new source selection methods, and (4) cancelled solicitations or rejections of all bids. The State Treasurer's Office (STO) raised concerns about these provisions with the Administration and participated in meetings held in the Health and Government Operations Committee to support preserving the Board's authority.

While the House adopted amendments to preserve the Board's authority for expedited procurements and new source selection methods, additional amendments are needed to ensure that the Board and General Assembly, by extension, retain full oversight over contract modifications and cancelled solicitations. Accordingly, for the reasons stated below, STO requests a favorable with amendments report on House Bill 500.

## ***Contract Modifications***

Two provisions in House Bill 500 limit the Board's approval of contract modifications. Under §15-112.1(c) of the State Finance and Procurement Article in the bill, a procurement officer is authorized to approve contract modifications up to the statutory small procurement thresholds, which are generally \$100,000 for non-construction contracts and \$200,000 for construction contracts, respectively. Current law (BPW regulations) requires modifications above \$50,000 for non-construction contracts to receive approval from the Board, so aligning the thresholds for modifications and small procurements in this manner removes some modifications from the Board's purview. The change proposed under §15-112.1(d), in turn, raises the overall threshold for contract modifications from \$50,000 to \$200,000.

The General Assembly may wish to retain the existing thresholds because the modification approval process preserves visibility into agencies' minority business enterprise (MBE) compliance. Aside from modification requests, the Board requires MBE goals to be reported in an agenda item when an agency requests approval for a contract award or submits a procurement agency activity report (PAAR) for Board review. The only additional real-time reporting on MBE goal compliance is through requests for approval to modify a contract or exercise a contract's option. Too often the only time the Board, or any other interested party, is made aware of contractors' failures to meet MBE goals is through requests for approval of modifications.

Amending House Bill 500 to strike the changes to §15-112.1 ensures that BPW and the General Assembly will retain authority over contract modifications at the existing thresholds.

## ***Cancellations of Procurements/Solicitations***

BPW Authority: Under § 13-206 of the State Finance and Procurement Article as reflected in the bill, the Chief Procurement Officer, rather than the Board, would approve an agency's request to cancel an invitation for bids or reject all bids. Currently, the Board has adopted regulations to delegate authority over these actions to State agency heads, but agencies must include these actions in PAARs. The change contemplated in House Bill 500 would have the effect of repealing the Board's authority to compel agencies to submit this information on PAARs. Without notice on PAARs, BPW would have limited visibility into this type of procurement action, which would be problematic for contracts that garner significant public interest. Given this concern, STO proposes to amend the bill to preserve current law or otherwise ensure that the Board can review these agency activities.

STO Operational Concern: Beyond the concern about BPW's authority, the language in House Bill 500 could be read to require STO to submit cancelled solicitations or rejections of all bids to the Department of General Services for approval. As a primary procurement

unit under § 12-107(b)(1) of the State Finance and Procurement Article, STO does not currently require sign-off or approval from the Office of State Procurement for any actions on STO contracts. If the Committee wishes to keep the changes to § 13-206 of the State Finance and Procurement Article, STO alternatively requests that the language be amended to clarify that primary procurement units do not need to submit these actions to the Department of General Services for approval.

### **Next Steps**

Treasurer Davis and staff would appreciate the opportunity to continue discussing broader procurement reforms with the Committee and respectfully request favorable with amendments consideration for House Bill 500. Please contact Laura Atas, Deputy Treasurer for Public Policy ([latas@treasurer.state.md.us](mailto:latas@treasurer.state.md.us)), with any questions.