

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 232

(Delegate Feldman, *et al.*)

Health and Government Operations

Education, Health, and Environmental Affairs

Task Force on Assistance to Disabled Veterans Establishing Small Businesses

This bill establishes the Task Force on Assistance to Disabled Veterans Establishing Small Businesses, staffed by the Board of Public Works.

Fiscal Summary

State Effect: The requirements of the bill could be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The task force is charged with:

- identifying the number of disabled State veterans who would benefit from State-awarded contracts for newly established small businesses;
- identifying existing programs, services, laws, and regulations that best address the issue of assisting disabled veterans establishing small businesses; and
- making recommendations regarding the designation of either the Department of Business and Economic Development or the Department of Veterans Affairs (DVA) as the State agency to implement an initiative to assist disabled veterans in establishing small businesses.

The task force must report findings and recommendations to the Governor and the General Assembly by December 1, 2005. The task force terminates December 31, 2005. This component of the bill is effective July 1, 2005 through December 31, 2005.

The bill also provides that DVA must publicize that a disabled veteran may potentially qualify for participation in the Small Business Preference Program, certification as a minority business enterprise (MBE), and the Small Business Reserve Program. This component of the bill is effective October 1, 2005.

Current Law: Procurement preferences exist for small businesses, MBEs, resident businesses from states with reciprocal preferences, and products made from recycled materials. The Small Business Reserve Program establishes a 10% participation goal for qualified MBEs or small businesses. The program also mandates a 5% preference for qualified MBEs or small businesses.

Statewide, there is a minimum participation goal of 10% of procurement spending from MBEs classified as women-owned businesses. Additionally, there is a minimum participation goal of 7% of procurement spending from MBEs classified as African American-owned businesses. Finally, there is a nonbinding overall MBE participation goal of 25% of total contracting dollars.

Background: Procurement preferences for disabled veterans exist in other states, as well as on the federal level. California's disabled veteran business enterprise program provides for a goal of 3% CDVBE participation in state contracting. Colorado rules provide that in the event of tie bids for a contract for personal services, a tiebreaker will look to the bidder that displays the greatest monetary preference for hiring veterans.

At the federal level, procurement officers may award sole-source contracts to disabled veteran-owned business for contracts under \$5 million (for manufacturing contracts) or \$3 million (all other types) where there is no reasonable expectation that two or more disabled veteran-owned businesses will submit bids. Federal procurement officers may also restrict competitive bid contracts to disabled veteran-owned businesses where there is reasonable expectation that two or more of such businesses will submit bids. The Veterans Entrepreneurship and Small Business Development Act of 1999 also established a 3% participation goal for disabled veteran-owned businesses. According to DVA and the U.S. Small Business Administration, this 3% participation goal in federal procurement has not yet been met.

DVA advises that there were 50,281 disabled veterans in Maryland in September 2003, and 330 disabled veteran-owned small businesses registered with the federal government procurement system. However, the number of businesses requesting certification could

increase, as many small businesses do not participate in large federal contracts. As a matter of comparison, however, there are 3,705 small businesses registered with the MBE program.

Small Business Effect: Should disabled veteran-owned contractors, a subset of the total procurement community, choose to participate more in State procurements, opportunities will be more accessible to these individuals.

Additional Information

Prior Introductions: None.

Cross File: SB 319 (Senator Garagiola, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Department of General Services, Board of Public Works, Department of Veterans Affairs, University System of Maryland, Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

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Analysis by: Martin L. Levine

Direct Inquiries to:
(410) 946-5510
(301) 970-5510