

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 688

(Delegate Murray, *et al.*)

Health and Government Operations

Education, Health, and Environmental Affairs

Procurement - Small Business Reserve Program - Reporting

This bill requires State agencies to report annually on their expected and actual procurement spending under the Small Business Reserve Program. It requires the Board of Public Works (BPW) and the Governor's Office of Minority Affairs (GOMA) to compile the annual reports and report to the Legislative Policy Committee of the General Assembly on the program's operations.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: None. State procurement units and GOMA could implement the bill's reporting requirements using existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill expands existing reporting requirements for 22 designated State procurement units under the Small Business Reserve Program. Specifically, it requires the designated procurement units to submit annual reports to GOMA within 60 days of the enactment of the State budget describing their projected procurement spending for the coming fiscal year, including small business reserve procurements.

In addition, within 90 days after the end of the fiscal year, each unit must report to GOMA and BPW the following information regarding the preceding fiscal year:

- the total number and dollar value of payments made to small businesses under designated small business reserve contracts;
- the total number and dollar value of payments made to small businesses under nondesignated small business reserve contracts, including purchase card procurements;
- the unit's total dollar value of procurement spending for the fiscal year; and
- any other information required by GOMA.

Within 60 days of receiving this information, BPW must submit a report to the Legislative Policy Committee of the General Assembly regarding the operation and effectiveness of the Small Business Reserve Program. Moreover, on or before December 31 of each year, GOMA must submit a report to BPW and the Legislative Policy Committee summarizing the information it received from State procurement units.

Current Law: Each State agency subject to State procurement law must structure its procurement processes so that 10% of the total value of contracts for goods, supplies, services, maintenance, construction, construction-related services, architectural services, and engineering services go to small businesses. Current regulations (COMAR 21.11.01.06) instruct each agency to prepare an annual forecast of its total procurement spending. The agency must then develop a plan to allocate at least 10% of its forecasted spending to contracts for small businesses serving as prime contractors.

A small business is defined as a business that is either a minority-owned business or a business other than a broker that is:

- independently owned and operated;
- not a subsidiary of another business; and
- not dominant in its field of operation

In addition, a small business must meet the following criteria to qualify for small business certification by the State:

- Average gross sales over the last three years did not exceed \$2.0 million in retail operations, wholesale operations, manufacturing operations, or service operations.
- Average gross sales over the last three years did not exceed \$7.0 million in construction operations.

- The firm does not employ more than 25 people in its retail operations, 50 people in either its wholesale or construction operations, or 100 people in either its service or manufacturing operations.

Within 90 days after the end of each fiscal year, each of the 22 designated procurement units must submit a report on the operation and effectiveness of the Small Business Reserve Program within their units to BPW. Within 60 days after receiving all reports from the designated procurement units, BPW must submit a report to the Legislative Policy Committee on the Small Business Reserve Program.

Chapter 75 of 2004 terminates the Small Business Reserve Program after September 30, 2007.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Maryland Department of Transportation, Department of Legislative Services

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