

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 978 (Senators Garagiola and Astle)
Education, Health, and Environmental Affairs

**Procurement - Small Business Reserve Program - Disabled Veteran-Owned
Small Businesses**

This bill extends the State's Small Business Reserve Program from September 30, 2007 until September 30, 2011, and adds a 10% price preference for businesses owned by disabled military veterans that bid on procurements reserved for small businesses. A disabled veteran is defined as a veteran of any branch of the United States military who has been certified by the U.S. Department of Veterans Affairs as having a service-connected disability.

The bill terminates September 30, 2011.

Fiscal Summary

State Effect: Minimal. State procurement expenditures for all funds could increase by less than 1% for disabled veteran-owned business procurements.

Local Effect: None.

Small Business Effect: Small businesses owned by disabled veterans would have a competitive advantage on small business reserve procurements due to the 10% price preference.

Analysis

Current Law: Chapter 75 of 2004 established the Small Business Reserve Program and defined a small business as either a minority-owned business that meets the criteria below, or a business other than a broker that is:

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

In addition, a 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; and
- 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.

The Small Business Reserve Program requires all State procurement units to structure their procurements so that at least 10% of the total dollar value of their procurements are made directly to small businesses. Under regulations adopted by the Department of General Services, each agency must 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.

The Small Business Reserve Program is scheduled to terminate on September 30, 2007.

There is currently no price preference for disabled veteran-owned small businesses under the Small Business Reserve Program.

State Fiscal Effect: A 10% price preference allows a small business owned by a disabled veteran to bid 10% higher than the lowest acceptable bid for a State contract and still be considered for the contract award. Therefore, the State could spend up to 10% more for small business reserve procurements awarded to disabled veteran-owned businesses.

Small business reserve procurements represent 10% of all State procurements, so total State expenditures on procurements could increase by a maximum of 1% if all small business reserve procurements were awarded to disabled veteran-owned businesses. The number of disabled veteran-owned businesses that bid on State contracts is not expected to be very large. Therefore, total State expenditures on procurements would increase by less than 1%.

Additional Information

Prior Introductions: None.

Cross File: HB 1610 (Delegate Feldman, *et al.*) Health and Government Operations.

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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