

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 598 (Senators Smith and Carozza)  
 Education, Health, and Environmental Affairs Health and Government Operations

**Procurement – Office of Small, Minority, and Women Business Affairs – Small Business Reserve Program and Veteran–Owned Small Business Enterprise Program**

This bill repeals the statewide goal that at least 1% of the value of procurement contracts be made to veteran-owned small business enterprises (VSBEs) and instead requires the Special Secretary of the Governor’s Office of Small, Minority, and Women Business Affairs (GOSBA) to adopt a statewide goal by regulation. The bill includes various provisions to align management of the VSBE preference program with existing preference program management structures and makes conforming changes. Finally, it establishes an Advisory Committee on VSBEs within GOSBA.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$67,500 in FY 2022 to implement the bill; out-year expenditures reflect annualization and ongoing expenses. No effect on revenues.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	67,500	79,500	81,900	84,800	87,800
Net Effect	(\$67,500)	(\$79,500)	(\$81,900)	(\$84,800)	(\$87,800)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

## Analysis

### **Bill Summary:**

#### *Management of the Veteran-owned Small Business Enterprise Program*

The bill (1) integrates the definition of a VSBE into the definition of “small business”; (2) clarifies the definition of “veteran” to specify that verification of active-duty service does not have to come only from the Maryland Department of Veterans Affairs (MDVA); and (3) specifies that VSBEs are for-profit businesses.

The bill also specifies that contract goals for VSBEs must be based on both prime contracting and subcontracting opportunities for VSBEs, as determined through analysis of a contract’s scope of work. It makes corresponding changes to the responsibilities of the Special Secretary.

#### *Advisory Committee*

The Special Secretary of GOSBA serves as chair of the committee, which must meet at least twice annually, and GOSBA must provide staff to the committee. The committee must (1) review GOSBA’s annual report to the Legislative Policy Committee on the VSBE program, which is mandated under current law, to identify areas for improvement and recommend actions to achieve those improvements and (2) ensure that a continuous oversight and improvement structure exists for the program.

**Current Law:** Unless the requirement is in conflict with any federal program, State agencies must structure their procurement procedures to try to achieve an overall minimum of 1% of their total procurement spending to be made directly or indirectly to VSBEs.

Chapter 740 of 2018 establishes that, for the purpose of determining whether a business is a VSBE under State procurement law, a “veteran” is an individual who is verified by MDVA as having served on active duty in the armed forces of the United States. It also transferred authority for administering the State’s VSBE preference program from the Board of Public Works to GOSBA.

**State Expenditures:** The bill aligns management of the VSBE preference program with the management structure of the Minority Business Enterprise (MBE) Program and the Small Business Reserve (SBR) Program. As noted above, current law already assigns responsibility for managing the VSBE preference program to GOSBA, as it does for the MBE and SBR programs. Unlike the VSBE program, however, GOSBA has a compliance manager assigned to each of the other two programs. As the bill aligns management of

VSBE with the structure of the other two programs, GOSBA requires a compliance manager dedicated to the VSBE program to carry out the bill's provisions.

Therefore, general fund expenditures increase by \$67,548 in fiscal 2022, which accounts for the bill's October 1, 2021 effective date. This estimate reflects the cost of hiring one compliance manager to oversee and administer the VSBE preference program in GOSBA. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$61,967
Operating Expenses	<u>5,581</u>
<b>Total FY 2022 State Expenditures</b>	<b>\$67,548</b>

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

**Small Business Effect:** Although the bill's provisions are largely procedural and administrative, they likely result in State agencies giving greater attention, under the more rigorous supervision provided by GOSBA, to meeting the State's VSBE participation goal. To the extent they do, VSBES may experience increased opportunities to participate in State procurement.

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### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 790 (Delegate P. Young) - Health and Government Operations.

**Information Source(s):** Department of General Services; Governor's Office of Small, Minority, and Women Business Affairs; Department of Commerce; Department of Veterans Affairs; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2021  
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