

# SENATE BILL 232

P2

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By: **Senator Salling**

Introduced and read first time: January 15, 2026

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Procurement – Preferences – Historically Underutilized Business Zone**  
3 **Businesses**

4 FOR the purpose of requiring a unit to structure procurement procedures to meet certain  
5 federal procurement standards; establishing certain overall percentage goals of the  
6 unit's total dollar value of procurement contracts to be made directly or indirectly  
7 with historically underutilized business zone businesses in certain years; requiring  
8 the Governor's Office of Small, Minority, and Women Business Affairs to adopt  
9 regulations establishing a certain certification process and a certain percentage price  
10 preference; establishing penalties for certain violations; and generally relating to  
11 procurement preferences for historically underutilized business zone businesses.

12 BY repealing and reenacting, with amendments,  
13 Article – State Finance and Procurement  
14 Section 14–501  
15 Annotated Code of Maryland  
16 (2021 Replacement Volume and 2025 Supplement)

17 BY adding to  
18 Article – State Finance and Procurement  
19 Section 14–1101 through 14–1105 to be under the new subtitle “Subtitle 11.  
20 Historically Underutilized Business Zone Business Participation”  
21 Annotated Code of Maryland  
22 (2021 Replacement Volume and 2025 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
24 That the Laws of Maryland read as follows:

25 **Article – State Finance and Procurement**

26 14–501.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(a) In this subtitle the following words have the meanings indicated.

(b) “Certification agency” has the meaning stated in § 14–301 of this title.

(c) “Economically disadvantaged individual” has the meaning stated in § 14–301 of this title.

(d) “Small business” means:

(1) a certified minority business enterprise, as defined in § 14–301 of this title, that meets the criteria specified under item ~~[(3)]~~ (4) of this subsection;

(2) a veteran–owned small business enterprise, as defined in § 14–601 of this title, that meets the criteria specified under item ~~[(3)]~~ (4) of this subsection; [or]

**(3) A HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS, AS DEFINED IN § 14–1101 OF THIS TITLE, THAT MEETS THE CRITERIA SPECIFIED UNDER ITEM (4) OF THIS SUBSECTION; OR**

~~[(3)]~~ (4) a business, other than a broker, that meets the following criteria:

(i) the business is independently owned and operated;

(ii) the business is not a subsidiary of another business;

(iii) the business is not dominant in its field of operation; and

(iv) 1. A. the wholesale operations of the business did not employ more than 50 persons in its most recently completed 3 fiscal years;

B. the retail operations of the business did not employ more than 25 persons in its most recently completed 3 fiscal years;

C. the manufacturing operations of the business did not employ more than 100 persons in its most recently completed 3 fiscal years;

D. the service operations of the business did not employ more than 100 persons in its most recently completed 3 fiscal years;

E. the construction operations of the business did not employ more than 50 persons in its most recently completed 3 fiscal years; and

F. the architectural and engineering services of the business did not employ more than 100 persons in its most recently completed 3 fiscal years; or

2. A. the gross sales of the wholesale operations of the business did not exceed an average of \$4,000,000 in its most recently completed 3 fiscal years;

B. the gross sales of the retail operations of the business did not exceed an average of \$3,000,000 in its most recently completed 3 fiscal years;

C. the gross sales of the manufacturing operations of the business did not exceed an average of \$2,000,000 in its most recently completed 3 fiscal years;

D. the gross sales of the service operations of the business did not exceed an average of \$10,000,000 in its most recently completed 3 fiscal years;

E. the gross sales of the construction operations of the business did not exceed an average of \$7,000,000 in its most recently completed 3 fiscal years; and

F. the gross sales of the architectural and engineering services of the business did not exceed an average of \$4,500,000 in its most recently completed 3 fiscal years.

(e) "Small business reserve" means those procurements that are limited to responses from small businesses under § 14-502(c) of this subtitle.

#### **SUBTITLE 11. HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS PARTICIPATION.**

##### **14-1101.**

IN THIS SUBTITLE, "HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS" MEANS A BUSINESS THAT:

(1) MEETS THE STANDARDS ADOPTED BY THE U.S. SMALL BUSINESS ADMINISTRATION IN 13 C.F.R. 126, SUBPART B AND ANY SUBSEQUENT REVISION OF THAT REGULATION; AND

(2) MAINTAINS A PRINCIPAL PLACE OF BUSINESS IN THE STATE THAT IS IN A HISTORICALLY UNDERUTILIZED BUSINESS ZONE.

##### **14-1102.**

(A) (1) A UNIT SHALL STRUCTURE PROCUREMENT PROCEDURES TO MEET THE STANDARDS ADOPTED BY THE U.S. SMALL BUSINESS ADMINISTRATION

IN SUBPART 19.13 OF THE FEDERAL ACQUISITION REGULATION, AS PROVIDED IN 48 C.F.R. CHAPTER 1.

(2) THE OVERALL PERCENTAGE GOAL OF THE UNIT'S TOTAL DOLLAR VALUE OF PROCUREMENT CONTRACTS TO BE MADE DIRECTLY OR INDIRECTLY WITH HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES IS:

(I) 1% IN 2026 AND 2027;

(II) 2% IN 2028; AND

(III) 3% IN 2029 AND EACH YEAR THEREAFTER.

(3) THE GOVERNOR'S OFFICE OF SMALL, MINORITY, AND WOMEN BUSINESS AFFAIRS SHALL ADOPT REGULATIONS THAT ESTABLISH, CONSISTENT WITH SUBPART 19.13 OF THE FEDERAL ACQUISITION REGULATION, AS PROVIDED IN 48 C.F.R. CHAPTER 1:

(I) A PROCESS FOR THE CERTIFICATION OF HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES, INCLUDING THE VERIFICATION OF ELIGIBILITY THROUGH THE FEDERAL SYSTEMS FOR AWARD MANAGEMENT; AND

(II) A PERCENTAGE PRICE PREFERENCE FOR PROCUREMENT CONTRACTS MADE DIRECTLY OR INDIRECTLY WITH HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES.

(B) THE PROVISIONS OF THIS SUBTITLE DO NOT APPLY TO A UNIT'S PROCUREMENT PROCEDURES TO THE EXTENT THAT ANY UNIT DETERMINES THAT THOSE PROVISIONS ARE IN CONFLICT WITH AN APPLICABLE FEDERAL PROGRAM.

14-1103.

THE GOVERNOR'S OFFICE OF SMALL, MINORITY, AND WOMEN BUSINESS AFFAIRS SHALL:

(1) ADOPT REGULATIONS TO IMPLEMENT THIS SUBTITLE;

(2) ESTABLISH PROCEDURES FOR TRACKING AND REPORTING PARTICIPATION OF HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES UNDER THIS SUBTITLE; AND

(3) ON OR BEFORE DECEMBER 1 EACH YEAR, REPORT TO THE LEGISLATIVE POLICY COMMITTEE ON:

1                   (I) THE NUMBER AND DOLLAR VALUE OF CONTRACTS  
2 AWARDED TO HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES UNDER  
3 THIS SUBTITLE, INCLUDING THE TOTAL DOLLAR VALUE OF PAYMENTS MADE TO  
4 HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES UNDER EXISTING  
5 CONTRACTS; AND

6                   (II) AN EVALUATION OF THE EFFECTIVENESS OF  
7 PARTICIPATION AMONG HISTORICALLY UNDERUTILIZED BUSINESS ZONE  
8 BUSINESSES UNDER THIS SUBTITLE.

9 14-1104.

10           (A) A PERSON MAY NOT:

11                   (1) KNOWINGLY AND WITH INTENT TO DEFRAUD, FRAUDULENTLY  
12 OBTAIN OR ATTEMPT TO OBTAIN, OR AID ANOTHER PERSON IN FRAUDULENTLY  
13 OBTAINING OR ATTEMPTING TO OBTAIN, PUBLIC MONEY, PROCUREMENT  
14 CONTRACTS, OR FUNDS EXPENDED UNDER A PROCUREMENT CONTRACT TO WHICH  
15 THE PERSON IS NOT ENTITLED UNDER THIS ARTICLE;

16                   (2) KNOWINGLY AND WITH INTENT TO DEFRAUD, FRAUDULENTLY  
17 REPRESENT PARTICIPATION OF A HISTORICALLY UNDERUTILIZED BUSINESS ZONE  
18 BUSINESS IN ORDER TO OBTAIN OR RETAIN A BID PREFERENCE OR A PROCUREMENT  
19 CONTRACT;

20                   (3) WILLFULLY AND KNOWINGLY MAKE OR SUBSCRIBE TO ANY  
21 STATEMENT, DECLARATION, OR OTHER DOCUMENT THAT IS FRAUDULENT OR FALSE  
22 AS TO ANY MATERIAL MATTER, WHETHER OR NOT THAT FALSITY OR FRAUD IS  
23 COMMITTED WITH THE KNOWLEDGE OR CONSENT OF THE PERSON AUTHORIZED OR  
24 REQUIRED TO PRESENT THE DECLARATION, STATEMENT, OR DOCUMENT;

25                   (4) WILLFULLY AND KNOWINGLY AID, ASSIST IN, PROCURE, COUNSEL,  
26 OR ADVISE THE PREPARATION OR PRESENTATION OF A DECLARATION, STATEMENT,  
27 OR OTHER DOCUMENT THAT IS FRAUDULENT OR FALSE AS TO ANY MATERIAL  
28 MATTER, REGARDLESS OF WHETHER THAT FALSITY OR FRAUD IS COMMITTED WITH  
29 THE KNOWLEDGE OR CONSENT OF THE PERSON AUTHORIZED OR REQUIRED TO  
30 PRESENT THE DECLARATION, STATEMENT, OR DOCUMENT;

31                   (5) WILLFULLY AND KNOWINGLY FAIL TO FILE ANY DECLARATION OR  
32 NOTICE WITH THE UNIT THAT IS REQUIRED BY THIS SUBTITLE; OR

**(6) ESTABLISH, KNOWINGLY AID IN THE ESTABLISHMENT OF, OR EXERCISE CONTROL OVER A BUSINESS FOUND TO HAVE VIOLATED A PROVISION OF ITEMS (1) THROUGH (5) OF THIS SUBSECTION.**

**(B) (1) A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF THIS SECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT EXCEEDING \$1,000 OR IMPRISONMENT NOT EXCEEDING 6 MONTHS OR BOTH.**

**(2) IN ADDITION TO THE PENALTIES UNDER PARAGRAPH (1) OF THIS SUBSECTION, A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF THIS SECTION IS:**

**(I) FOR THE FIRST OFFENSE, LIABLE FOR A CIVIL PENALTY OF NOT LESS THAN \$10,000 AND NOT EXCEEDING \$30,000; AND**

**(II) FOR A SUBSEQUENT OFFENSE, LIABLE FOR A CIVIL PENALTY OF NOT LESS THAN \$30,000 AND NOT EXCEEDING \$50,000.**

**(3) A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF THIS SECTION SHALL PAY ALL COSTS AND ATTORNEY'S FEES INCURRED BY THE PLAINTIFF IN A CIVIL ACTION BROUGHT UNDER THIS SUBTITLE.**

**(C) THE BOARD SHALL PROHIBIT A BUSINESS OR PERSON WHO FAILS TO SATISFY THE PENALTIES, COSTS, AND ATTORNEY'S FEES IMPOSED UNDER SUBSECTION (B) OF THIS SECTION FROM FURTHER CONTRACTING WITH THE STATE UNTIL THE PENALTIES ARE SATISFIED.**

**(D) (1) A UNIT SHALL REPORT ALL ALLEGED VIOLATIONS OF THIS SECTION TO THE BOARD.**

**(2) THE BOARD SUBSEQUENTLY SHALL REPORT ALL ALLEGED VIOLATIONS OF THIS SECTION TO THE OFFICE OF THE ATTORNEY GENERAL, WHICH SHALL DETERMINE WHETHER TO BRING A CIVIL ACTION AGAINST A PERSON OR BUSINESS FOR A VIOLATION OF THIS SECTION.**

**14-1105.**

**IN ADDITION TO THE PENALTIES UNDER § 14-1104(B) OF THIS SUBTITLE, A PERSON THAT WILLFULLY MISREPRESENTS A BUSINESS AS A HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS FOR PURPOSES OF OBTAINING OR RETAINING A CONTRACT OR SUBCONTRACT MAY BE SUBJECT TO:**

1                   **(1)    SUSPENSION OR DEBARMENT UNDER TITLE 16 OF THIS ARTICLE;**  
2 **OR**

3                   **(2)    CIVIL PENALTIES UNDER THE MARYLAND FALSE CLAIMS ACT**  
4 **UNDER TITLE 8 OF THE GENERAL PROVISIONS ARTICLE.**

5           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2026.