

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1177 (Delegate Stinnett, *et al.*)
Government, Labor, and Elections

Small Business Reserve Program - Veteran-Owned Small Business Enterprises -
Outreach

This bill requires the Office of Minority Business Enterprise (OMBE) within the Department of Social and Economic Mobility (DoSEM) to develop an outreach program, in consultation with the Office of Small, Minority, and Women Business Affairs (OSBA) in DoSEM, the Military Department, and the Department of Veterans and Military Families (DVMF), to increase participation in the Small Business Reserve Program (SBR) by small businesses that are veteran-owned small business enterprises (VSBEs). The outreach program must include units that are generally exempt from State procurement law to encourage the use of VSBEs. By December 1 of each year, OMBE must submit a report to the Board of Public Works and Legislative Policy Committee on (1) the status of the outreach program and (2) the total number and dollar value of awards made to small businesses that are VSBEs under designated SBR contracts.

Fiscal Summary

State Effect: None. OMBE can handle the bill’s requirements with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: “Veteran-owned small business enterprise” means a for-profit business that (1) meets the size standards adopted by the U.S. Small Business Administration and any subsequent revision of that regulation and (2) is at least 51% owned by one or more

individuals who are veterans and control the management and daily operations of the business. There are several programs in State procurement law that aim to increase VSBE participation.

Veteran-owned Small Business Procurement Goals

Each State agency is required to structure its procurement procedures to try to achieve a specified percentage goal (currently set at 3% in regulations) of the total dollar value of procurement contracts to be made to VSBEs. Procurement solicitation documents must state the expected percentage of VSBE participation based on (1) the potential contracting opportunities available in the procurement contract, including both prime contracting and subcontracting opportunities, as determined through analysis of the scope of the work presented in solicitation and (2) the availability of VSBEs to respond competitively to the potential contracting opportunities.

Veteran-owned Small Business Reserve Program

Chapter 601 of 2025 established the Veteran-owned Small Business Reserve Program, which limits procurements to businesses that qualify as VSBEs. Any procurement by DVMF, the Military Department, or units acting on their behalf for goods, supplies, services, maintenance, construction, construction-related services, architectural services, and engineering services must be eligible for designation for the Veteran-owned Small Business Reserve Program. OSBA is required to establish standards and guidelines for participation in the Veteran-owned Small Business Reserve Program every five years; the initial guidelines are currently under development.

Veteran-owned Small Business Preference Program

The heads of procurement units or their designees must screen all procurements potentially eligible for a small business preference and must determine which of these procurements will be made and the percentage preference to be applied. The determination must be based on availability of qualified, certified small businesses and other appropriate factors. A published solicitation for a procurement designated for a small business preference must include a statement the procurement has been so designated and indicate the price preference percentage to be applied to the bids of eligible bidders. The price preference may not exceed a base percentage preference of 5% of the total contract value for small businesses, plus an additional 2% or 3% for VSBEs and disabled VSBEs, respectively. When soliciting bids for a procurement designated for a small business preference, the procuring unit must send a solicitation or notice of the solicitation to all certified small businesses for the subject of the contract contained on the Certified Small Business List maintained by OSBA.

Exempt Units

State law exempts more than 40 State agencies and entities, in whole or in part, from State procurement law. Among the most significant exemptions are the University System of Maryland, St. Mary's College of Maryland, Morgan State University, Baltimore City Community College, and the Maryland Stadium Authority.

Reporting

OSBA is required to establish procedures for tracking and reporting participation of VSBEs and, by December 1 of each year, report to the Legislative Policy Committee on (1) the number and dollar value of contracts awarded to veteran-owned small business enterprises, including the total dollar value of payments made to veteran-owned small business enterprises under existing contracts and (2) an evaluation of the effectiveness of the Veteran-owned Small Business Reserve Program.

Small Business Effect: Greater outreach to VSBEs could have a positive impact on small businesses that qualify as VSBEs.

Additional Comments: State law, including the bill, requires a State certification agency to be designated in regulations, which currently identify OMBE within the Maryland Department of Transportation as the certification agency. However, Chapter 605 of 2025 transferred OMBE to DoSEM, which has not yet been reflected in the regulations.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Social and Economic Mobility; Department of General Services; Board of Public Works; Maryland Department of Transportation; Department of Veterans and Military Families; Military Department; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2026
caw/mcr

Analysis by: Andrew Stover

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