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OFFICE OF DESIGN, CONSTRUCTION & ENERGY

**BILL:** Senate Bill 59  
State Procurement – Small Business Reserve Program

**COMMITTEE:** Senate Education, Health & Environmental Affairs

**DATE:** February 3, 2021

**POSITION:** Letter of Information

Upon review of Senate Bill 59 – State Procurement – Small Business Reserve Program, the Department of General Services (DGS) provides these comments for informational purposes.

The bill raises the requirement for a unit to structure its procurement procedures to achieve a minimum of 25% of its spend on goods, supplies, services, maintenance, construction, construction related services, and architectural services from 15% to 25% directly with small businesses.

Senate Bill 59 defines a Maryland Resident Small Business as a business that meets the small business standards and has its principal place of business in Maryland. A satellite office or an office minimally staffed does not meet the resident status. Being a Maryland Resident Small Business allows contractors to enjoy a 5% price preference over all other firms that are not Resident Small Businesses, even with the Small Business Reserve Program.

The bill will benefit Maryland Resident Small Businesses however, it will also restrict competition which could result in higher prices being paid for goods and services. Adding 5% to contracts may be detrimental to agency budgets and may not be in keeping with the purposes and policies of the State Finance and Procurement Article § 11-201. The section includes ensuring fair and equitable treatment of all persons who engage with the State procurement system, fostering broad based competition through the support of the free enterprise system and getting the maximum benefit from the purchasing power of the State.

Senate Bill 59 may also potentially impact Maryland Resident Small Businesses seeking to conduct business with neighboring states and jurisdictions that have reciprocal preference laws. These laws would apply the Maryland preference of 5% to those small business proposals against the other states or jurisdictions small businesses.

For additional information, contact Ellen Robertson at 410-260-2908.

