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Maryland
DEPARTMENT OF GENERAL SERVICES

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OFFICE OF THE SECRETARY

BILL:	**Senate Bill 996** State Procurement – Small Business Reserve Program
COMMITTEE:	Budget and Taxation
DATE:	March 16, 2022
POSITION:	Letter of Concern

Upon review of Senate Bill 996 – State Procurement - Small Business Reserve Program, the Maryland Department of General Services (DGS), provides these comments for your consideration.

This bill adds to the requirements for businesses to be certified as a member of the Small Business Reserve program (SBR) and doubles the percentage requirement for a State unit's SBR procurements from 15% to 30 %. This poses both operational and fiscal burdens on the DGS Office of State Procurement (OSP).

Currently, DGS OSP would not be able to meet the 30 percent requirement that is proposed in this bill. One hurdle to achieving the 30% goal is that **there are not enough certified small businesses available to provide the required goods or services.** To meet the 30% goal the pool of SBR businesses would **need to grow substantially**.

DGS OSP would need to hire at least twice the number of current procurement officers to handle contracts for the increased SBR designations. This meticulous process entails reviewing Statewide and Master Contracts to see if there are opportunities to divide them into smaller contracts that would meet SBR designation requirements.

Dividing these larger contracts would also have unintended consequences on other programs. By dividing contracts into smaller contracts and making these small businesses Prime Contractors would **result in removing subcontracting opportunities available for Minority Business Enterprises (MBEs) and Veteran-Owned Small Business Enterprises (VSBEs). This is because while MBEs and VSBEs can be certified as small business enterprises, not all are.**

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Furthermore, this bill poses a financial impact on the business climate in Maryland. This bill adds a requirement for the principal office of the small business to be located in Maryland. While this may promote economic development within the State, it unintentionally could limit businesses' ability to obtain contracts outside of Maryland. **If these restrictions are applied in Maryland, reciprocal preference statutes in neighboring jurisdictions** (District of Columbia, Virginian, Pennsylvania, Delaware, and West Virginia) would go into effect. This would significantly **impact Maryland small businesses, and in some cases could lead to layoffs and office closures in Maryland.**

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