

March 16, 2022

The Honorable Guy Guzzone  
Chairman, Budget and Taxation Committee  
3 West Miller Senate Office Building  
Annapolis, MD 21401

**Re: Letter of Information – Senate Bill 996 – State Procurement – Small Business Reserve Program**

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 996, but offers the following information for the Committee's consideration.

Senate Bill 996 increases the Small Business Reserve (SBR) goal from 15% to 30%. Once a solicitation has been designated as "SBR," an award can only be made to a certified SBR firm. If raising the goal does not result in a larger pool of small businesses registered as SBR, then eligible SBR companies could become over-saturated with work and decline to bid on additional contracts. This could lead to elevated bid prices or longer time periods for contract awards to be made as solicitations may need to be thrown out and established as open procurements without the SBR designation. Valuable time is lost and, product end users may be severely inconvenienced in the delivery of their intended products.

Senate Bill 996 also requires the principal office of the small business to be located in Maryland. Adding this criterion to the definition of "Small Business" could limit the number of available vendors since a small business that has an office in Maryland, but its principal office located outside of the State would not be able to respond to a solicitation that is designated as an SBR procurement. This requirement could result in fewer eligible companies, leading to reduced competition which could result in higher bid prices to the State over time. Limiting the pool to only Maryland domestic firms would also make it more difficult to meet the SBR goal.

The MDOT is also concerned that the principal office requirement would be considered a preference or set aside for Maryland small businesses, which could result in the imposition of similar restrictions against Maryland companies bidding in other jurisdictions under their reciprocal preference statutes, particularly in the District of Columbia, Virginia, Pennsylvania, Delaware, and West Virginia. This could unintentionally limit Maryland small businesses' ability to expand their businesses outside of the State.

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The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 996 as implementation of the bill could interfere with the ability of Maryland's small business community to thrive in the State marketplace.

Respectfully submitted,

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Maryland Department of Transportation  
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