

16 March 2022

Subject: Testimony in Favor of Maryland Senate Bill 996 (SB996): An Act Concerning State Procurement – Small Business Reserve Program

Good Afternoon:

I'd like to thank Senator Patterson and Prince George's County Councilman-at-Large Mel Franklin for the opportunity to speak in favor of this bill today.

I represent WarrenBuilds, a Prince George's County-Based Small Business (CBSB) and Minority Business Enterprise (MBE). WarrenBuilds is also an MDOT-certified Minority Business Enterprise (MBE). We provide general construction contracting, site development, and facility-related assessments and services for commercial and government clients.

Our vision is to grow to become a great, mid-sized or larger, regionally successful general construction prime contractor.

While not the only tool in the small business toolkit, the SBR program is an important one. It helps generate revenue, certainly, but more strategically, it helps small businesses build capability and capacity.

Maryland's four decades old Minority Business Enterprise (MBE) Program was created to reverse decades of discrimination and under-utilization of minority-owned businesses in state procurement. It was intended to use state contracts to help minority-owned businesses become more competitive overall, serving both government and commercial markets.

In 2004, the General Assembly created the SBR program for much the same reasons. Simply put, encouraging the growth of small businesses is, for Maryland, good business. And while the SBR program is race-neutral, it is a vital way to also address historic market disadvantages for minority-owned businesses.

Some 7 in 10 Maryland small businesses are minority-owned and women-owned firms. This is unsurprising in a state where more than half of the population is, by Census definition, a minority. It should be clear then, that in a state that is "majority minority", helping minority-owned and women-owned small businesses is also just good business.

One important issue here is the difference between being a prime contractor and a subcontractor. This is particularly significant in the construction sector, where WarrenBuilds competes. The data indicate that we still have a long way to go. According to the report of the Governor's Office on Small, Minority, and Women Business Affairs, in fiscal year 2020 just 7% of over \$1.2B in state construction prime contract awards went to minority prime contractors.<sup>1</sup>

This is even more significant than the gross numbers indicate. Construction prime contractors tend to be much larger and more broadly capable firms than specialty subcontractors. They employ more people, generate more revenue, pay more taxes. They are better postured to withstand economic downturns.

There are significant structural barriers to winning awards as a prime contractor for small businesses, including factors such as bonding capacity and experience requirements. Time today will not permit a more in depth review, but these problems are real and they are daunting—and much greater for minority-owned and women-owned small businesses.

One powerful way to grow a larger community of prime contractor firms is to create opportunities where small businesses, particularly minority-owned and women-owned small businesses, can compete and win contracts as prime contractors.

“The SBR Program carves out prime contracting opportunities in an exclusive environment, where small businesses compete against other small businesses for state-funded contracts.”<sup>2</sup>

Expanding this program, as proposed in SB996, enhances opportunities for all Maryland small businesses to grow, to become successful prime contractors, to gain the experience, bonding capacity, and demonstrated capability to enable them to compete and win additional contracts.

We believe that expanding the Small Business Reserve Program is good for small business, and that it is also good business for Maryland.

Thank you.

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<sup>1</sup> Annual Report Fiscal Year 2020 Exhibit D: FY2020 MBE Awards by Procurement Category.

<sup>2</sup> Ms. Lisa Mitchell Sennaar, The Daily Record, September 23, 2001 (<https://thedailyrecord.com/2021/09/23/a-message-to-marylands-small-business-community/>), retrieved March 15<sup>th</sup>, 2022.