



**GOVERNOR'S OFFICE OF
SMALL, MINORITY & WOMEN
BUSINESS AFFAIRS**

Governor Wes Moore

Lt. Governor Aruna Miller

DATE: March 7, 2023

BILL NUMBER: SB 479

COMMITTEE: Senate Finance Committee

BILL TITLE: Department of Small, Minority, and Women Business Enterprises - Establishment and Duties

GOSBA POSITION: **Letter of Information**

The Governor's Office of Small, Minority and Women Business Affairs thanks the Committee for the opportunity to provide written testimony for Senate Bill 479 (SB 479). SB 479 renames this office to become the Maryland Department of Small, Minority, and Women Business Enterprises. Additionally, the bill establishes the Department as a principal department of the Executive Branch of State government and transfers certain authority relating to procurement preference programs to the Department. Lastly, SB 479 provides that the head of the Department is the Secretary of the Department of Small, Minority, and Women Business Enterprises.

Currently, The Governor's Office of Small, Minority and Women Business Affairs is a coordinating office within the Executive Branch of State government with 12 full-time positions. The office has designated oversight, reporting, and outreach responsibilities related to the State's three socioeconomic procurement programs: Small Business Reserve (SBR), Minority Business Enterprise (MBE) and Veteran-Owned Small Business Enterprise (VSBE). These duties span the 70 agencies and departments mandated to participate in the SBR, MBE and VSBE programs.

Many, but not all, of the provisions in SB 479 were referenced in January 2022 by the Department of Legislative Services, "Evaluation of the Minority Business Enterprise Program," which was conducted by the Office of Program Evaluation and Government Accountability (OPEGA). The Governor's Office of Small, Minority and Women Business Affairs provided a written response along with Department of General Services, the Office of State Procurement, and the Maryland Department of Transportation (MDOT). As legislative-mandated, we provided an update on the recommendations on October 24, 2022. Many of the issues have been resolved by legislative action as a result of HB 389, Chapter 155, of the 2022 Maryland General Assembly.

The restructuring proposed in SB 479 raises the following concerns:

- The total cost, which cannot be calculated at this time, would be in the tens of millions of dollars (personnel, office space, equipment, furniture, agency rebranding, startup costs for a Contract Appeals Commission, Development Office and Development Fund, etc.)
- Increasing the Personal Net Worth to \$6.5 million is a level that exceeds any perception of an individual's economic disadvantage
- Co-mingling oversight of the MBE Program with MBE certification will create a duplicative process for minority owned businesses that want to seek both state and federal certifications and require the new Department to establish MBE certification processes and an online directory similar to those currently in place with the Office of Minority Business Enterprise, the State's official certification unit
- Significantly disrupts procurement practices and policies with regard to MBE and VSBE goalsetting and administration of the Small Business Preference Program

- Significantly disrupts existing statewide personnel assignments and related salaries by eliminating liaison positions and associated duties at the agency level
- Eliminates the current access channels to MBE and VSBE legislatively mandated data that is reported by agency liaisons to the Governor's Office of Small, Minority & Women Business Affairs which in turn reports it to the governor, the legislature and the public at large
- Potentially decreases interest in contracting with the State of Maryland by adding a mandatory requirement that all prime contractors must perform as mentors to MBE and VSBE subcontractors without offering an incentive (as in federal contracting); would also add to compliance duties at the purchasing agencies to monitor the mentors

GOSBA respectfully submits this Letter of Information for SB 479.

Sincerely,

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