



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

Governor Wes Moore

Lt. Governor Aruna Miller

Special Secretary Y. Maria Martinez

DATE: January 17, 2024

Bill Number: Senate Bill 154

COMMITTEE: Senate Budget and Taxation Committee

BILL TITLE: State Procurement – Preferences – Historically Underutilized Business Zone Businesses

GOSBA POSITION: Letter of Information

Dear Chair Guzzone and Committee Members:

The Governor's Office of Small, Minority & Women Business Affairs (GOSBA) thanks the Committee for the opportunity to provide written testimony for Senate Bill 154 (SB 154).

SB 154 requires GOSBA to structure procedures to meet federal procurement standards and achieve or exceed 10% of the unit's total dollar value of procurement contracts to be made directly or indirectly with federal historically underutilized business zone businesses (HUBZones) within the Small Business Reserve (SBR) Program. Additionally, the proposed legislation tasks GOSBA with adopting regulations to implement the HUBZone program, as well as establish procedures for tracking, compliance, and mandated reporting requirements.

GOSBA is concerned that operating a federal program within a state program will be arduous and potentially harmful to the existing SBR Program. In most cases, great care is taken to keep federal and state programs distinct and separate. This allows the State to more effectively integrate value added concepts and processes into its SBR program without adopting less effective or non-applicable features of the federal program.

Maryland's SBR Program is the only set-aside within the State's procurement programs. The current SBR set-aside designation is 15%. Established in 2008 as a race- and gender-neutral program, SBR offers prime contracting opportunities in an exclusive environment where small businesses compete against other small businesses for contracts designated to the SBR Program. Firms self-certify through the eMaryland Marketplace Advantage (eMMA) and must renew annually to maintain their certification.

As reported in the FY2023 Annual Report, the SBR Program is providing the small business community with increased opportunities to perform at the prime contractor level. Payments to SBR firms reached \$599 million, representing a 39% increase during a period when the state experienced an 8% decrease in total eligible procurements. Total SBR Participation, which

increased by 51%, achieved 11.7%, of the 15% goal. Disrupting this growth trend would have negative consequences to the SBR Program.

According to the “Study of the Establishment of a Procurement Percentage Preference in Historically Underutilized Business Zones”, submitted in consultation with DGS in reference to Senate Bill 644, Chapter 518, Acts of 2022. GOSBA is concerned that SB 154 may inadvertently impact participation by adding a 10% HUBZone percentage preference within the current 15% SBR designation. The SBR Program serves as an instrumental tool for Maryland businesses with the ambition to operate as a prime contractor in the State procurement arena.

GOSBA is grateful to offer this Letter of Information for SB 154 and welcomes the opportunity to discuss further.

Sincerely,

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