

## **Comptroller SB 426**

Uploaded by: Comptroller Lierman

Position: FAV

**Letter of Support****Senate Bill 426 – Procurement Reform Act of 2025**  
*Budget and Taxation, Procurement Subcommittee*  
*February 5, 2025*

As a member of the Board of Public Works, I am proud to meet with my colleagues nearly every other week to examine and consider state contracts through a transparent and collaborative process.

Since my term began, my team has engaged and collaborated with the Moore-Miller administration, Treasurer Dereck Davis, contractors, and dozens of additional stakeholders to understand, critique, and thoughtfully reimagine how best to create efficiencies in our sometimes-onerous procurement process and improve opportunities for small and minority-owned businesses, all while encouraging innovation. I value our partnership with the Moore-Miller administration and appreciate their work to bring this important legislation.

**What this bill does:** Senate Bill 426 seeks to improve state procurement by creating efficiencies within the procurement process timeline and increasing the Chief Procurement Officer's authority while also strengthening the state's commitment to small, minority, veteran, and women-owned businesses. My office has several suggested amendments that we believe will strengthen the intent and purpose of the bill while preserving the oversight of the Board of Public Works.

**Why this bill is important:** Maryland's procurement economy is more than 17% of our state's GDP and is a significant source of economic opportunity for our state and its residents. Improving state procurement has been a top priority of mine since coming into office. Many parts of the current procurement infrastructure are broken, leading to extended procurement timelines and onerous requirements. My team has met with dozens of stakeholders to hear their feedback, and my office also teamed with Drexel University to issue a Procurement Playbook, which provided a comprehensive assessment of Maryland's procurement ecosystem, which includes federal, state and local procurement. By reducing the number of barriers to participation while also maintaining transparency and public trust through the Board of Public Works approval process, the bill ensures that state procurement continues to strive towards a competitive and modern standard.

**I urge a favorable report on SB426 with amendments**, which are discussed below in detail.

A strong, efficient procurement system is how we build up Maryland's small businesses, help close the racial wealth gap and drive the economy. I look forward to continuing the discussion with Governor Moore and Treasurer Davis. If you have any questions, please do not hesitate to reach out to Jasmine Clemons at [JClemons@marylandtaxes.gov](mailto:JClemons@marylandtaxes.gov) and Stephen Harrington at [SHarrington@marylandtaxes.gov](mailto:SHarrington@marylandtaxes.gov).



## **Suggested Amendments**

### **1: 21CFSE Working Group Deletion**

On page 50, strike beginning with “**INCLUDING**” in line 28 down through “**TIME**” in line 32.

**Justification:** House Bill 709 and Senate Bill 659, enacted April 11, 2023, established the 21st Century Financial System Enterprise (21CFSE) to modernize and transform the State’s Financial Management Information System (FMIS). Legislation established that multiple agencies should partner to conduct this statewide reform, including the Comptroller, State Treasurer’s Office, Department of Budget Management, Department of Information Technology, and the Department of General Services. Assessment of the potential payment features of the new financial system is already built into the discovery phase of the modernization project.

### **2: SBR 15 Days Late Payments Clarification**

On page 46, after line 13 insert:

- (i) **INTEREST SHALL ACCRUE IN ACCORDANCE WITH § 15–104 OF THE STATE FINANCE AND PROCUREMENT ARTICLE**

**Justification:** Clarifying that the small business reserve payments will follow the existing 31-day interest accrual timeline for state payments to vendors.

### **3: Source Selection Establishment**

On page 12, line 24 before “the” insert: **SUBJECT TO APPROVAL BY THE BOARD OF PUBLIC WORKS,**

**Justification:** Clarifying language to preserve oversight of the Board of Public Works for procurement source selection which then may require changes in regulatory language.

### **4: Expedited Procurements**

On page 15, line 8 strike “**AFTER**” and before “**AWARDING**” insert “**BEFORE**”

**Justification:** The Board of Public Works currently approves the use of the expedited procurement method before agencies issue a solicitation and a report is brought to the Board after award. If pre-approval of the procurement method is contributing to significant agency delays, this amendment allows the Chief Procurement Officer the ability to approve the expedited procurement method but instead requires the Board to approve the contract award.

### **5: Contract Modifications**

On page 47, line 17 strike “**AND**”

On page 47, after line 17 insert a new line:

**(2) THE CONTRACT MODIFICATION DOES NOT EXTEND OR ALTER THE DATE OF DELIVERY OR PERIOD OF PERFORMANCE LONGER THAN ONE-THIRD OF THE BASE TERM OF THE ORIGINAL CONTRACT; AND**

On page 47, line 23 strike “\$1,000,000” and after “**TO**” insert “**\$200,000**”

**Justification:** Currently, regulations set by the Board require approval of all contract modifications greater than \$50,000. This amendment language seeks to preserve Board oversight and transparency of contract modifications but allows for a lower threshold than what is presented in the bill language and narrows the amount of time the contract can be extended.

#### **6: Master Contracting Procurement Method**

On page 19, line 25 strike "\$500,000" and after "exceed" insert "**\$250,000**"

On page 19, line 28 strike "[be] EXCEED \$100,000 [or less] BUT WILL"

On page 19, line 29 strike "\$500,000" and insert "**\$250,000**"

On page 20 strike lines 1-6

**Justification:** Current State Finance and Procurement law requires a solicitation to be sent to all qualified master contractors in the appropriate categories for task orders over \$100,000. The presented bill language would significantly limit the amount of competition on task orders. The suggested amendment language instead offers raising the threshold up to \$250,000.

#### **7: Study In-State v. Out of State Vendor Preference**

Add language requesting that the Board of Public Works Procurement Advisor conduct a study of the economic impacts of instituting an in-state vendor preference on all state procurements or some subset of state procurements. This would include assessing the impact on Maryland vendors who also do business with other states, assuming that other state procurement policies would allow for retaliation.

**Justification:** The state currently does not have an in-state vendor preference on any procurements due to the potential for retaliatory actions by neighboring states. However, this has not been studied by any state entity to evaluate the true economic impact of an in-state preference.

# **Maryland Military Coalition SB0426 Written Testimo**

Uploaded by: DAVID Dragics

Position: FAV



## MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

February 3, 2025

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

Subject: Request for **FAVORABLE Report** – SB0426 – Procurement Reform Act of 2025

Dear Chair Guzzone and distinguished members of the Budget and Taxation Committee:

On behalf of the members of the Maryland Military Coalition (MMC), I write to recommend a **FAVORABLE report** by the Committee on **SB0426 – Procurement Reform Act of 2025**, by request of the President of the Senate, the Honorable Bill Ferguson. This bill is a comprehensive reform and update of the Maryland State Government's procurement policies, practices, and lines of responsibility and authority.

The MMC supports this bill as it aligns with the mission of our member organization, the Maryland Veterans Chamber of Commerce (MDVCC). This bill expands procurement opportunities for veteran-owned small businesses and promotes workforce development through internships and apprenticeship programs. **The reforms introduced in this bill are positive for veteran-owned businesses as they:**

- Create greater access to state procurement contracts,
- Provide structured workforce development programs, and
- Establish strong oversight mechanisms to ensure fair treatment.

By expanding procurement opportunities, veteran entrepreneurs are positioned to compete on a more level playing field, which directly supports economic stability and growth. In addition, the bill's focus on workforce development through apprenticeships and internships ensures that veterans transitioning into civilian careers receive essential training and employment prospects. With stronger compliance regulations and administrative oversight, **the bill safeguards the interests of veteran-owned businesses and prevents potential discrimination or exclusion from state-funded opportunities.**

Subject: Request for FAVORABLE Report – SB0426 – Procurement Reform Act of 2025

The MMC **strongly supports SB0426** and asks for a **FAVORABLE report** from the Budget and Taxation Committee. These reforms represent a comprehensive and impactful approach to strengthening the economic well-being of Maryland's veteran community.

The Maryland Military Coalition is a registered non-profit, nonpartisan advocacy organization comprised of 22 prominent Maryland-based veteran and military groups. It represents over 150,000 service-connected individuals, including those currently serving, veterans, retirees and their families, caregivers and survivors. Visit our website at <https://mdmilcoalition.org/>.

We want to thank the President of the Senate for requesting this legislation on behalf of the Moore-Miller Administration and for supporting the veterans of Maryland's uniformed services community.

Respectfully,

A handwritten signature in black ink, appearing to read "David L. Dragics". The signature is written in a cursive, flowing style.

David L. Dragics  
COL (Ret), U.S. Army  
Legislative Director

# **SB0426\_GOSBA\_FAV (Final).pdf**

Uploaded by: Davon Gardner

Position: FAV





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

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*Governor Wes Moore*

*Lt. Governor Aruna Miller*

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DATE: February 23, 2025  
BILL NUMBER: SB 462  
COMMITTEE: Senate Budget and Taxation Committee  
BILL TITLE: Procurement Reform Act of 2025  
GOSBA POSITION: **FAVORABLE**

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Dear Chairman Guzzone and Members of the Committee:

The Governor's Office of Small, Minority & Women Business Affairs (GOSBA) would like to thank the Committee for the opportunity to provide written support for Senate Bill 426 (SB 426). SB 426 represents a comprehensive, interdepartmental effort to modernize, streamline and transform the State's procurement system into a more equitable and competitive marketplace.

GOSBA commends the Governor's leadership and commitment to addressing the inequalities faced by small, minority, women, and veteran-owned business owners. These business owners encounter significant barriers, and SB 426 is a crucial step towards reducing those inequities.

GOSBA oversees each of the socioeconomic procurement programs across 70+ state agencies, playing a key role in programs such as the Minority Business Enterprise (MBE), Small Business Reserve (SBR), and the Veteran-Owned Small Business Enterprise (VSBE). Increasing opportunities for Maryland business owners within these programs has been instrumental in promoting economic stability, particularly in the MBE, SBR, and VSBE communities.

GOSBA believes the Procurement Act of 2025 would allow Maryland to become more efficient, equitable, and competitive in this decade.

GOSBA is pleased to offer this Letter of Support for SB 426 and happy to engage in further discussions regarding the bill.

Davon K. Gardner  
Director, Policy & Legislative Affairs  
Governor's Office of Small, Minority & Women Business Affairs  
[DavonK.Gardner@Maryland.gov](mailto:DavonK.Gardner@Maryland.gov)  
667-644-1358

# **SB0426\_GOSBA\_FAV.pdf**

Uploaded by: Davon Gardner

Position: FAV



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

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*Governor Wes Moore*

*Lt. Governor Aruna Miller*

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GOSBA POSITION: **FAVORABLE**

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Dear Chairman Guzzone and Members of the Committee:

The Governor's Office of Small, Minority & Women Business Affairs (GOSBA) would like to thank the Committee for the opportunity to provide written support for Senate Bill 426 (SB 426). SB 426 is a robust interdepartmental initiative to modernize, streamline and transform the State's procurement system into a more equitable and competitive marketplace. That said, GOSBA commends the Governor's leadership and willingness to address the inequalities small, minority, women, and veteran-owned business owners face daily.

GOSBA oversees each of the socioeconomic procurement programs across 70+ state agencies. Particularly, the Minority Business Enterprise (MBE), Small Business Reserve (SBR), and the Veteran-Owned Small Business Enterprise (VSBE) Programs. Increasing opportunities for Maryland business owners have been instrumental in achieving economic stability in the State of Maryland, especially in the MBE, SBR, and VSBE communities. GOSBA believes the Procurement Act of 2025 would allow Maryland to become more efficient, equitable, and competitive in this decade.

GOSBA is pleased to offer this Letter of Support for SB 426 and welcomes the opportunity to discuss further.

Sincerely,

Davon K. Gardner  
Director, Policy & Legislative Affairs  
Governor's Office of Small, Minority & Women Business Affairs  
[DavonK.Gardner@Maryland.gov](mailto:DavonK.Gardner@Maryland.gov)  
667-644-1358

# **SB426\_Authorium\_Testimony.pdf**

Uploaded by: Jeff Amoros

Position: FAV

## **Testimony in FAVOR of Senate Bill 426 on behalf of Authorium**

Senate Bill 426 is a crucial piece of legislation to modernize and streamline Maryland's procurement system, and its passage is essential to improve government efficiency and service delivery. The bill directly addresses the need to streamline antiquated processes, employ innovative approaches, and leverage technology to enhance the procurement process.

Authorium is a public benefit corporation that works with states across the nation to improve process efficiency and modernize antiquated systems. We exclusively support the public sector, because that is our area of expertise – 60% of our employees served in government themselves. Below, we provide key reasons why SB 426 is necessary, and share evidence derived from our work with peer agencies in other states.

### **Don't Repave a Cow's Path**

During a recent podcast interview, Amy Tong, Secretary of the California Government Operations Agency, shared insights on the need to address underlying processes as part of review of technology improvements. As Sec. Tong shared, when you're looking at ways to fix what's broken, don't repave a cow's path - make sure you have the correct processes and structures in place to succeed in the long term.

SB 426 echoes this principle to:

- Reduce administrative burdens and establish a 120-day procurement lead time for routine procurements.
- Standardize project specification templates and documentation protocols to minimize delays.
- Create more efficient processes for emergency procurements while maintaining oversight.
- Develop a more efficient process for handling contract modifications.
- Establish a centralized contract management process and platform.

We agree that these steps will support Maryland's goal of achieving measurable results, and Authorium's experience supporting other states and cloud-based platform for government support this goal. Authorium builds technology exclusively for the public sector, and helped agencies find and realize the benefits of automation and efficiency through a combination of process improvement, facilitating organizational change management, and with a platform focused on ease of use and flexibility - or in short: people, process, and technology coming

together to solve a challenge. The end result of bringing these together is not only greater efficiency, but richer data and insights that helps leaders make smarter decisions, deliver services more effectively, and develop robust data insights and interoperability via webhooks and APIs that the status quo can't support.

### **Deliver Critical Services: Every moment matters**

As legislators review this bill, CalRecycle – a California state agency tasked with massive clean-up efforts as a result of the wildfires last month – is actively engaging with skilled contractors to remove debris and toxic waste. This critical step must happen before families can begin to rebuild their homes. Every moment counts and all eyes are on the State's response. The State must ensure that contracts are executed efficiently to qualified businesses, that small and disadvantaged businesses get a fair chance at the work, and that State and FEMA dollars are tracked and reported.

When disaster happens – as we know all too well in Maryland from the tragic collapse of the Francis Scott Key Bridge – states must be equipped for rapid response. Procurement teams in California called upon us because they know that an outdated procurement system should never be a barrier to critical environmental clean-up, a roof over a family's heads, or a local economy's recovery.

In another example of solving the problems SB 426 seeks to address, Authorium is partnering with Washington State Department of Veterans Affairs (WDVA) to support their critical mission of delivering services to our veterans. We are working with WDVA staff to address both inefficient processes and antiquated technology that has been a barrier to their mission. The process and technology must be in service of the people delivering critical mental health, housing, and other targeted in-person services to a veteran population distributed across a large and mountainous state.

At the federal level, the U.S. Airforce Research Lab (AFRL) tapped into our public-sector expertise to tackle its lengthy and complex statement of work (SOW) development time. The SOW challenges can slow down the agency when it needs to purchase key materials or redirect researchers and staff from their focus of ensuring that our warfighting capabilities outpace adversarial militaries such as Russia or China. By using our acquisition platform to make it easier and faster to procure goods and services, we're helping the AFRL keep up on a global scale.

Our partner agencies have found that when they remove ineffective and outdated technology, discontinue processes that no longer work, and free expert staff from wasted time spent on legacy processes developed around legacy tooling not built for the specific needs of the public

sector, they can unlock greater effectiveness in their operations and are better positioned to realize their mission. Through a no-code, drag-and-drop platform, users of all levels of computer literacy can more rapidly handle complex, document-heavy processes with ease.

**Bad Plumbing, Ineffective Service**

A building with bad plumbing won't be able to deliver clean water to its residents. Likewise, ineffective and inefficient processes and technology won't be able to provide the world-class services its residents deserve.

We applaud Gov. Moore's efforts to fix Maryland's procurement plumbing. Simplifying, expediting, and modernizing the procurement process allows for technological innovation that will unlock the potential of Maryland's public workforce to provide the services all Maryland residents deserve.

**We urge the members of the Senate Budget & Taxation Committee to vote favorably on Senate Bill 426.**

# **MDE SB426 SUP .docx.pdf**

Uploaded by: Jeremy D Baker

Position: FAV





**The Maryland Department of the Environment**  
**Secretary Serena McIlwain**

***Senate Bill 426***  
***Procurement Reform Act of 2025***

**Position:** Support

**Committee:** Budget and Taxation

**Date:** February 5, 2025

**From:** Jeremy D. Baker, Director of Government Relations

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The Maryland Department of the Environment (MDE) **SUPPORTS** SB 426.

**Bill Summary**

Effective October 1, 2025, SB 426 would transition authority over to the State's procurement process from the Maryland Department of General Services (DGS) Secretary to the State Chief Procurement Officer.

SB 426 also clarifies that the Maryland Department of the Environment, Maryland Department of Natural Resources, the Maryland Department of Agriculture, the Maryland Department of Transportation, the Maryland Environmental Service, and DGS can enter into a pay-for-success contract if the agency's own procurement officer determines that the contract will have better financial savings and other substantial benefits. Additionally, the bill reiterates that any payment due under the contract will only be paid after specific outcomes have been documented.

**Position Rationale**

SB 426 further enables the goals of the Conservation Finance Act of 2022 and allows more opportunities for pay-for-success contracting related to other State programs. Pay-for-Success contracting is a proven method of procuring quantified and verified environmental outcomes more cost-effectively. By expanding pay-for-success, the State is able to get more projects in the ground quicker and more efficiently. This bill aligns with recommendations from the Maryland Green and Blue Infrastructure Policy Advisory Commission.

Accordingly, MDE asks for a **FAVORABLE** report for SB 426.

**Contact:** Jeremy D. Baker, Director of Government Relations  
Cell: 240-548-3321, Email: [jeremy.baker@maryland.gov](mailto:jeremy.baker@maryland.gov)

# **SB 426 PRA Written Testimony for Sec. Chaudhry DGS**

Uploaded by: John Woolums

Position: FAV

***Senate Bill 426 - Procurement Reform Act of 2025***

**Position:** Support

**Committee:** Procurement Subcommittee, Budget and Taxation Committee

**Date:** February 5, 2025

**From:** Atif Chaudhry, Secretary, DGS

The Department of General Services (“DGS”), on behalf of the Moore-Miller Administration, strongly supports Senate Bill 426, the Procurement Reform Act (PRA) of 2025. The PRA is a comprehensive effort to make procurement more transparent, inclusive, and efficient. This legislation will benefit businesses, taxpayers, and the State workforce. This legislation introduces key improvements to streamline processes, promote workforce diversity, and improve procurement preferences. These reforms will foster a more inclusive business environment, allowing a wider range of businesses to compete fairly for State contracts. DGS requests a favorable report on the PRA as a comprehensive and bold step toward improving access for all Maryland businesses to procurement contracts.

Streamlining and Efficiency

The PRA would eliminate the \$50,000 floor and extend the Small Business Reserve (SBR) designation to all procurements valued at, or below, \$1 million. This broadens the scope of eligible contracts for small businesses and creates a more inclusive procurement environment. Under current law, procurements valued between \$50,000 and \$500,000 are designated for the SBR. This existing framework unnecessarily limits small business opportunities on procurements below the \$50,000 threshold. Removing the \$50,000 floor and raising the ceiling increases procurement opportunities for Maryland's small businesses, including Minority Business Enterprises (MBE) and Veteran-Owned Small Business Enterprises (VSB), as all certified MBEs and VSBs are eligible to register and qualify for the State's SBR program.

The PRA would further allow Procurement Officers to modify contracts in the best interest of the State, provided the modifications (a) do not materially alter the scope of work, and (b) do not exceed the small procurement threshold. Procurement Officers can already award contracts under a small procurement threshold (\$100,000) without Board of Public Works (BPW) approval, but must submit subsequent modifications – including modifications valued below the small procurement threshold – for BPW review and approval, creating avoidable delays and complicating contract management. These legislative changes will enhance the cost-effectiveness of State contracting processes, alleviate BPW workload by reserving its attention for more complex matters, and grant procurement units the flexibility to adapt contracts as necessary, in the best interests of the State.

The PRA mandates oral presentations for competitive sealed procurements and master contracts when the award is anticipated to exceed \$2,000,000 for architectural and engineering services, \$10,000,000 for construction and construction-related services, and \$5,000,000 for other procurements, including information technology (IT) and professional services. Procurement Officers will have the discretion to waive oral presentations if they can provide a written justification indicating the immateriality of evaluation. Under current law, procurement Officers may, but are not required to, use oral presentations when evaluating bids. Whereas asynchronous reviews of written proposals favor larger organizations that

can afford proposal writers, oral presentations afford small and minority businesses – particularly those new to State contracting – opportunities to clarify their intent during question- and- answer sessions. Under the PRA, oral presentations will provide clearer communication between vendors and State evaluation committees. Clear multi-faceted communication provides deeper insights into proposals and allows committee members to ask pertinent questions.

The PRA allows the Chief Procurement Officer (CPO) or their designee, instead of Department of Budget and Management (DBM), to determine the types of procurements eligible for the noncompetitive negotiations source selection method and corrects an oversight in earlier procurement reform legislation that removed DBM as a primary procurement unit and moved all services under DGS as the primary procurement unit. This change will streamline and centralize procurement policies and processes within OSP under the direction of the CPO. Moving this authority from DBM to DGS and the CPO will both (1) further centralize procurement decisions under one primary procurement control agency, thus ensuring prompt action can be taken when needed to determine the classes of procurement eligible for noncompetitive negotiation and reducing the steps involved with approval processes, which will streamline these processes and make them more effective, and (2) assist in developing procurement methods for acquiring emerging technologies and meeting highly specialized requirements, ensuring efficiency and effectiveness in public procurement.

The PRA allows the head of the primary procurement unit, or the CPO, to directly approve expedited procurements. It mandates that the procuring unit draft a BPW agenda item as soon as feasible, allowing the agency head or CPO to include the expedited procurement on the next available BPW agenda. This change will ensure agencies can take prompt action when urgent situations arise, while still maintaining timely oversight from the BPW on expedited procurements. Although the number of emergency or expedited procurements decreased significantly (to 55) in fiscal year 2023 following a COVID induced spike – 210 in FY21 and 104 in FY22 – this new approach aligns procurement practices with the Moore-Miller commitment to an agile, accountable, outcomes focused Public Service.

#### Methods of Source Selection and Workforce Diversity

The PRA would allow the CPO to establish source selection methods, creating parity between the CPO's responsibility and attendant decision-making authority around source selection methods. This will create improved accountability and role clarity, enhanced flexibility and responsiveness, and administrative efficiency. Under current law, the CPO lacks the authority to establish source selection methods and to approve intergovernmental cooperative purchasing agreements (ICPAs). As a result, all ICPA requests must be approved by the Secretary of the Department of General Services.

The PRA would enhance the efficiency of the master contracting process, allowing Procurement Officers to focus on a more manageable number of task orders. This proposed legislation seeks to optimize the master contracting process by revising solicitation requirements. Despite master contracting being designed to facilitate a streamlined procurement process, current law mandates solicitations valued between \$100,000 and \$500,000 be sent to all master contractors. This requirement forces Procurement Officers to review numerous task orders (sometimes hundreds), leading to inefficiencies and unnecessary delays, particularly for relatively small procurements. The changes proposed in the PRA will enhance the efficiency of the master contracting process, allowing Procurement Officers to focus their efforts on a more manageable number of task orders. The legislation makes master contracting a more attractive way

of streamlining the procurement cycle time, serving as an efficient tool for agencies, while also promoting the use of small businesses as an agency could reserve a contract only for SBRs.

The PRA would require Workforce Diversity Plans for contracts over \$500,000 and Supplier Diversity Plans for those over \$250,000. This change will update Maryland's procurement practices to mirror best practices in other states, including Massachusetts, where the Supplier Diversity Program (SDP) mandates that prime suppliers awarded large contracts formulate a supplier diversity plan that outlines specific commitments. Under current law, the State has limited visibility into vendors' diversity initiatives, and there are no formal requirements for Workforce Diversity Plans. The Workforce Diversity Plan and Supplier Diversity Plan will provide OSP and other State agencies with valuable insights into vendors' workforce diversity efforts. It will also inform future policy decisions and support the Moore-Miller objective to develop a more diverse and equitable workforce.

The PRA would codify authority granted under regulations by enabling the CPO, or their designee, to cancel solicitations or reject all bids and proposals. Current statute mandates BPW approval for a unit to cancel a solicitation or reject all bids or proposals. This requirement creates a conflict between statutory obligations and existing regulations, as the BPW has delegated this authority to the head of the control agency under COMAR 21.06.02.01. By streamlining solicitation cancellation and bid rejection protocols, this legislation creates responsibility-authority parity and enhances the State's ability to efficiently respond to changing requirements and funding dynamics.

#### Procurement Preferences

The PRA would allow the procurement officer to amend MBE and VSBE participation schedules when done in consultation with the MBE or VSBE liaison, and will also better align MBE and VSBE laws. Existing law unnecessarily restricts amending MBE and VSBE participation schedules, which unintentionally harms minority and veteran-owned small businesses that have proposed to work in good faith with prime contractors on procurements with MBE or VSBE participation goals. Procurement officers are required to reject bids or proposals when MBE and VSBE forms are not completed accurately, forcing the State to consider higher priced bids or not evaluating technical proposals. In some cases, this results in a single bid or proposal to be considered or a failed procurement with no other options. The PRA will enhance competitiveness for procurements with MBE and VSBE participation goals by ensuring that prime contractors are able to amend their participation schedule after submission of a bid or proposal, while still committing to meet the overall goal or goals when deemed appropriate by the procurement officer.

In addition, the PRA would allow procurement officers to add or increase MBE and VSBE participation goals at any point before contract execution. Existing law was largely created in response to a business landscape that was uninviting to minority businesses, and today agencies are prohibited from setting goals on certain contracts despite opportunities to do so and vendors willing to participate. The PRA addresses these limitations by clarifying that agencies may consider adding or increasing MBE and VSBE participation goals at any point before contract execution. Furthermore, goals can be adjusted after contract execution, if it is deemed in the best interest of the State, with approval from the head of the agency and through an amendment to the contract and participation schedule. Maryland has an opportunity to adopt procurement best practice and join 87% of public procurement offices across the nation that permit negotiation of non-mandatory terms and conditions after tentative award. Under the PRA, agencies will be encouraged to engage with prime contractors to include these vendors as

subcontractors in more contracts, fostering their growth and competitiveness, while also enhancing reporting accuracy for MBE and VSBE participation in contracts, ensuring that contributions of these enterprises are adequately recognized and tracked.

The PRA also establishes a new Veteran-Owned Small Business Reserve, which will restrict procurement opportunities to businesses that qualify as VSBES; empowering the Department of Veterans and Military Families and the Maryland Military Department to designate procurements as eligible for this reserve. Creating a dedicated procurement mechanism will significantly enhance the opportunities for VSBES to secure State contracts. Agencies closest to the veteran community will be better positioned to promote the use of VSBES and will directly contribute to an increase in contracts awarded to these enterprises and supporting the growth of veteran-owned businesses. While the Administration has successfully increased statewide goals for the utilization of VSBES there is currently no specific procurement mechanism that allows agencies to solicit work exclusively from VSBES, similar to the existing SBR program.

The PRA proposes to reduce reporting burdens for MBEs. Under current law, MBEs must submit monthly reports detailing all payments received, which can create unnecessary burdens, particularly when an MBE does not anticipate performing any work during certain periods of the contract. This legislation provides the Governor's Office of Small, Minority & Women Business Affairs (GOSBA) the authority to establish specific reporting parameters to reduce the reporting burden on MBEs while allowing the State to effectively monitor payments. Easing reporting requirements for MBEs will better support businesses, while facilitating a more efficient process without compromising oversight. This legislative change does not alter existing obligations for prime contractors to pay MBE subcontractors for work performed or the mechanisms available to MBEs for disputing delayed or missed payments.

In addition, the PRA would centralize socioeconomic programs in GOSBA. Centralizing these programs within GOSBA will foster a closer relationship between small businesses, MBEs, VSBES, and the State, as well as contribute to the development and implementation of policies that support small, socially, and economically disadvantaged businesses.

#### Prompt Payments

The PRA will require payments under SBR contracts within 15 days of invoice approval. Current law requires the State to pay businesses within 30 days after a payment becomes due. However, this delay can disproportionately impact small and minority owned businesses, which often operate with limited cash flow. The PRA will improve the payment timeline by requiring the State to make payments within 15 days after a payment becomes due and the unit has received a proper invoice under an SBR contract. Facilitating faster payments will help small businesses reduce their reliance on credit and potentially lower operational costs, while the new and improved process will encourage more small businesses – particularly MBEs and VSBES – to engage in State contracting.

To pursue continuous improvement in state operations, the PRA requires the 21st Century Financial Systems Enterprise (21CFSE) Workgroup to explore the integration of immediate or prompt payment features into the new financial system, as well as assess the feasibility of enabling simultaneous payments to both prime and subcontractors by the State. The 21st Century Financial Systems Enterprise is an initiative aimed at replacing the outdated accounting system (FMIS) currently used by all State agencies. The existing system hampers efficient financial transactions between the State and the vendor community,

often resulting in payment delays and inaccuracies. This initiative will enhance financial transaction efficiency and significantly improve vendor cash flow. As a result, Maryland will become a more attractive business partner, foster greater participation, and support the growth of the local economy.

#### Clarification of Terms, Delegation, and Procurement Law

The PRA would extend the delegation authority of the Department of General Services Secretary to the Chief Performance Officer. Recognizing that current law already mandates the CPO's responsibility for "all procurement activity for the Executive Branch of State government," this change will enable a more cohesive and efficient procurement framework, helping to streamline operations through clarified delegation and facilitating faster decision-making.

In addition, the PRA would clarify the definition of "statewide contract." Under current law, the term "statewide contract" is not currently defined in law, leading to confusion with other contract types, such as master contracts. This ambiguity can result in delays in procurement processes and inconsistency among procurement offices and stakeholders. This legislation will ensure a uniform understanding across all procurement offices. Additionally, it will clarify definitions related to IT services and supplies, categorize tangible IT products as supplies, and allow procurement under DGS' full delegation for supplies and commodities. These provisions will enhance operational efficiency, reduce procurement delays, and foster a consistent framework for all stakeholders by establishing a clear definition of statewide contracts and streamlining the classification of IT products.

Similarly, the PRA mandates that all future procurement laws pertaining to specified State procurements be included in Division II, ensuring a more organized and accessible compilation of procurement statutes. Today, not all State procurement laws are consolidated within Division II of the SF&P, known as "General Procurement Law," creating confusion for agencies, vendors, and the public. Centralizing procurement laws within Division II will enhance transparency and access for all stakeholders, making it easier to navigate the procurement framework and leading to improved compliance and engagement in the procurement process.

#### Workforce Development and Good Labor Initiatives

The PRA would establish a requirement for internships and apprenticeships on certain state contracts. This proposal seeks to leverage state contracting to expand the utilization of two workforce training strategies - internships and registered apprenticeship - leading to new career pathway opportunities for countless Marylanders. Specifically, the PRA would create a requirement that covered procurements valued at \$1,000,000 or more utilize either an internship or registered apprenticeship program. The CPO, in consultation with the Secretary of Labor, will create guidelines to determine the scope of what procurements will be covered by these provisions.

Under this legislation the Secretary of Labor will create guidelines to assist units in ensuring contractor compliance with this legislation, including determining liabilities when a contractor fails to use apprentices or interns as provided in the bid or proposal. This approach will make Maryland self-sufficient in providing meaningful internships and minimizes workforce shortages. Studies have shown that students who obtain internships in Maryland for their field of study, stay in Maryland for their careers and help grow Maryland's economy. Similarly, apprentices who learn a trade in Maryland or gain other

in-demand portable job skills via a registered apprenticeship program, pursue jobs in Maryland that can support their families and will contribute to the State's workforce and economy.

The PRA establishes "Carrots for Contractors" who practice good labor standards. The legislation proposes to provide a "carrot" in the form of a contract preference for Good Labor Certified Businesses "GLCBs". When competing with non-good labor certified contractors, a GLCB will be selected if their bid exceeds that of a non-good labor certified business by up to 5%. Today, wage investigators routinely find labor standards violations at state-funded projects and on state contracts. The State has tools to enforce those standards, and the ability to educate - but as contracts are usually awarded to the lowest bidder, contractors have strong incentives to either engage in or ignore labor standards violations, particularly because those violations, whether misclassification, cutting corners on safety, or delaying or refusing to pay full wages when due, usually produce immediate labor cost savings. Under the current system of low-bidder awards, contractors have limited incentives to do the right thing (other than fear of detection).

A contractor can receive a good labor certification by demonstrating that they adopt best labor practices, including:

1. Directly employing, and requiring subcontractors to directly employ, all workers performing work under the contract;
2. Requiring that wage payments be in a form other than cash or cash app;
3. Providing advance written notification to the procurement authority and to the Department of Labor's Division of Labor and Industry of any subcontractors performing work under the contract;
4. Agreeing to successfully complete a comprehensive consultation visit by Maryland Occupational Safety and Health Program ("MOSH") and/or allow unannounced inspection by MOSH;
5. Ensuring that all subcontractors are, as a precondition of performing work, registered with the Department;
6. Ensuring and taking legal responsibility for subcontractors' compliance with workplace laws;
7. On living wage projects, furnishing a payment bond; and
8. On a prospective basis, promptly disclosing any violations (final determinations only) of workplace standards laws

This initiative will create incentives to businesses to adopt and maintain good labor practices by creating preferences in competitive bids. Many labor laws encourage compliance by penalizing the conduct that violates those laws. This proposal is intended to address the problem of noncompliance from a different direction - one that encourages and rewards firms with good labor practices.

For these reasons, DGS requests a favorable report on Senate Bill 426, the Procurement Reform Act (PRA) as a comprehensive and bold step toward improving access for all Maryland businesses to State procurement contracts.

Contact: John R. Woolums, Esq., Director of Government and Legislative Affairs,  
(410) 260-2908 (O), (667) 434-0008 (M), [john.woolums@maryland.gov](mailto:john.woolums@maryland.gov)



# **SB0426 - TSO - LOS - Procurement Reform Act of 202**

Uploaded by: Patricia Westervelt

Position: FAV

February 5, 2025

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

***Re: Letter of Support – Senate Bill 426 – Procurement Reform Act of 2025***

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) offers the following letter of support of Senate Bill 426, which will allow MDOT to process procurements for transportation-related services and supplies faster and more efficiently and, generally, streamline the procurement process and support the small business community.

SB 426 will grant MDOT and the Maryland Transportation Authority (MDTA) the authority to procure transportation-related services and supplies<sup>1</sup> without the approval of another primary procurement unit. The Transportation Article<sup>2</sup> currently grants MDOT the authority to procure services, supplies, construction, and maintenance for any transportation-related purposes. However, the State Finance and Procurement Article<sup>3</sup> only grants MDOT and MDTA the ability to procure the following for transportation-related purposes: construction; construction-related services; architectural or engineering services; and rolling stock and other property peculiar to the operation of a transit system. This change brings the broader MDOT in line with two of its modal administrations.<sup>4</sup> However, this grant is not all-encompassing – all banking, financial services and insurance would remain under the authority of the State Treasurer.

The reduction in cycle time will expedite transportation improvements. Prime contractors, including certified small businesses, and subcontractors, including minority business enterprises (MBEs), disadvantaged business enterprises, and veteran-owned small business enterprises (VSBES), will benefit from having contracts awarded several months sooner.

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<sup>1</sup> SB 426 further redefines “services” and “supplies” to include certain information technology items, further enhancing the efficiencies created by this legislation. “Services” is amended to explicitly include information technology services and cybersecurity, and “supplies” includes information technology hardware and software, as drafted.

<sup>2</sup> For reference, Transportation Article §2-103(h) states: “Consistent with the State budget, Division II of the State Finance and Procurement Article, and other applicable provisions of law, the Secretary may contract with any person to provide services, supplies, construction, and maintenance for the Department or for any transportation related purposes.”

<sup>3</sup> State Finance and Procurement Article §12-107(b)(3)

<sup>4</sup> The Maryland Aviation Administration has authority to procure supplies, services and IT for aeronautics-related activities, and the Maryland Port Commission has authority to procure supplies, services and IT for port-related activities.

The Honorable Guy Guzzone  
Page Two

SB 426 also adds flexibility for procurement officers and the vendor community. Allowing procurement officers to cure deficiencies in MBE and VSBE participation schedules will decrease the number of bids and proposals with fatal flaws, and increase opportunities for prime contractors, MBEs and VSBEs. Granting primary procurement units the authority to authorize contract modifications with no material changes up to \$1 million will relieve administrative burdens, keep projects moving, and reduce retroactive contract modifications.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 426 and issue the bill a favorable report.

Respectfully submitted,

Matthew Mickler  
Director of Government Affairs  
Maryland Department of Transportation  
410-865-1090

# **SB 426 Ray Baker Baltimore DC Building Trades (FAV**

Uploaded by: Ray Baker

Position: FAV



February 5, 2025

The Honorable Guy Guzzone, Chair  
The Honorable Jim Rosapepe, Vice Chair  
Senate Budget and Tax Committee  
101 James Senate Office Building  
Annapolis, MD 21401

**Testimony of Ray Baker, Maryland Director, Baltimore-DC Building Trades  
on SB 426: Procurement Reform Act of 2025  
Position: FAVORABLE**

Thank you, Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Tax Committee for the opportunity to offer testimony on SB 426. My name is Ray Baker. I am the Maryland Director of the Baltimore-DC Building Trades (BDCBT). The BDCBT's 28 affiliates represent more than 30,000 union construction workers across Maryland, Virginia, and the District of Columbia.

BDCBT strongly supports SB 426. In particular, we support the following provisions related to public works projects:

1. **The establishment of a Good Labor Practices Certification, with a 5 percent procurement preference for businesses with the certification.** We appreciate that the threshold to obtain the certificate is meaningful and stringent. Specifically, to obtain the certification, businesses must attest that they and any subcontractors will employ all workers as W-2 employees, and pay all workers by check or electronically, and not in cash. Contractors must also stipulate that they will be liable for subcontractor violations and carry a payment bond sufficient enough to ensure the payment of wages to all employees on a project. We also support that the certification is valid for 12 months and must then be renewed, and that the list of businesses with the certification must be published quarterly.  
  
The Good Labor Practices Certification will help Maryland combat wage theft and create a climate of accountability among construction contractors, and it is very much needed. A recent study found Maryland leads US States in wage theft violations. The study analyzed US Department of Labor data and calculated that companies in Maryland committed 12,639 wage theft violations over the past three years, with an average of \$2,221 in back wages owed per employee.
2. **The establishment of a working group to study whether immediate or prompt payment features can be added to the 21st Century Financial Systems Enterprise so that contractors and subcontractors can be paid at the same time.** We appreciate the establishment of this working group because prompt payment to subcontractors is needed. It provides predictability, accountability, and continuity of work in construction. When a remittance or invoice is held, it can be the beginning of the end for a small company. It becomes a burden to make payroll, meet supplier invoices and cover overhead. To have a more fair and competitive work place, invoices and payments need to be made in a timely manner. This allows a company to grow and prosper.

The BDCBT urges the committee to issue a favorable report on SB 426.

Ray Baker  
Maryland Director, BDCBT  
[RBaker@BDCBT.org](mailto:RBaker@BDCBT.org)  
410.585.7862

# **SB0426\_MD Labor\_Support\_Procurement Reform Act of**

Uploaded by: Secretary Portia Wu

Position: FAV

## MARYLAND DEPARTMENT OF LABOR TESTIMONY ON SENATE BILL 426

TO: Senate Budget and Tax Committee Members  
FROM: Maryland Department of Labor  
DATE: February 3, 2025  
BILL: SB0426 - Procurement Reform Act of 2025

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### MD LABOR POSITION: SUPPORT

The Maryland Department of Labor (MD Labor) supports SB 426, in particular the provisions that establish the principle that state investments should support and encourage good labor practices and create good career opportunities for Marylanders. The two sections of note that involve MD Labor are:

1. Subtitle 8, which requires that certain state contracts utilize Registered Apprenticeship and Internship programs; and
2. Subtitle 9, which establishes a 5% procurement preference for businesses that voluntarily adopt best practice labor standards, which the business can use when bidding on public works projects subject to the Prevailing Wage Law, and contracts subject to the Living Wage Law.

### **Increasing Registered Apprenticeships and Internships is critical for economic growth.**

Growing our economy relies on connecting Marylanders to skilled jobs and careers here in the state. In 2024, the state invested \$17.5 billion in procurement projects; this legislation would help leverage those investments to create greater pathways to opportunity for Marylanders and develop the state's skilled talent supply. The bill would create opportunities for individuals to gain on-the-job experience, through Registered Apprenticeship and high-quality internships that incorporate industry-recognized training and credentials.

Subtitle 8 of the bill would achieve this through requiring contractors on certain state procurements to offer or participate in Registered Apprenticeship and internship programs. Registered Apprenticeships combine on-the-job learning and work pathways that lead to skilled jobs while simultaneously providing employers with the skilled workforce they need to remain competitive. Internships provide students with valuable real-world work experience in the field they are considering for a career and can help students secure a job after school and increase their starting salary.

Maryland had over 12,500 active Registered Apprentices at the end of 2024 and over 200 apprenticeship programs. While this marks significant progress, accelerating apprenticeship expansion is critical to Maryland's future: The [Governor's apprenticeship pledge](#) has set a goal to add 5000 new apprentices and 500 new employers by the end of this year. The Blueprint for Maryland's Future established a goal that 45% of public high school graduates will have completed the high school level of Registered Apprenticeship or an Industry Recognized Credential by the 2030-31 school year. And the Apprenticeship 2030 Commission, which was formed through legislation in the 2023 session, is expected to issue a number of key recommendations to significantly bolster apprenticeship, including measures that will incentivize employers to significantly engage and expand apprenticeship. Greater incorporation of registered apprenticeship in procurement is one of the key recommendations of that Commission.

SB 426 would require covered contracts to incorporate Registered Apprenticeship or high quality internship. This language would apply beyond construction contracts, which already have certain requirements under Maryland's Prevailing Wage law. This will support expanding Registered Apprenticeships beyond traditional sectors to other growth areas such as information technology, cybersecurity, and healthcare. Industry-supported high-quality internships are also critical to providing pathways to opportunity for college students.

Maryland is experiencing a brain drain. If students leave Maryland for college, it's less likely they will return to the State for work. If students stay in-state for school, there's an 80% chance they will also remain in state to work, but if they go out of state for school, there's only a 57% chance they will return to work in Maryland. Creating more high quality internship opportunities can help connect more young Marylanders to the State's workforce and allow the state to retain more talent.<sup>1</sup>

**Incentivizing good labor practices in State-funded contracts can help ensure that pathways to work, wages, and wealth are available to all Marylanders.**

Subtitle 9 of SB 426 establishes a 5% procurement preference in certain State-funded construction and service contracts for businesses that voluntarily adopt best labor practices — similar to the small business preference. To be eligible for this preference business would agree to follow best practice labor standards, including:

- Directly employing, and requiring subcontractors to directly employ, all workers performing work under the contract;
- Requiring that wage payments be in a form other than cash or cash app;
- Agreeing to successfully complete a comprehensive consultation visit by MOSH;
- Ensuring that all subcontractors are, as a precondition of performing work, registered with the Department;

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<sup>1</sup> [https://mldscenter.maryland.gov/egov/Publications/BrainDrain\\_March2018.pdf](https://mldscenter.maryland.gov/egov/Publications/BrainDrain_March2018.pdf)



- Ensuring and taking legal responsibility for subcontractors' compliance with labor standards;
- On living wage projects, posting a bond to guarantee wage payments; and
- On a prospective basis, promptly disclosing any violations of workplace standards laws, which would be part of the evaluation for renewal of certification.

The preference would be in effect for a 12-month period, and would be applied cumulatively, on top of any other bidding preference.

MD Labor is charged with enforcing the state's labor laws, including the prevailing wage, living wage, overtime, health and safety, workplace fraud, and unemployment laws. Investigations frequently reveal labor violations on public projects, including workers paid off the books, not paid what they are owed, not paid overtime, misclassified as independent contractors, and not covered by Workers' Compensation or Unemployment Insurance. Forty-seven percent of all investigations by the Department's Workplace Fraud Unit (194/407), and 55% of the citations issued in 2024 (16 out of 29) involve prevailing wage construction projects. When workplace fraud violations are found, the Department typically only has the authority to hold the subcontractors liable for violations – despite the general contractor's authority over the contract and job site.

The current low-bid system can create incentives to cut corners on labor standards because those practices usually produce immediate cost savings. When those practices become the norm, it makes it hard for businesses playing by the rules to fairly compete and bid on state contracts.

Research shows that workplace fraud is prevalent in Maryland's construction industry. A recent analysis of the construction industry estimates 23,731 construction workers are misclassified in Maryland – roughly 11% of construction workers in the state.<sup>2</sup> This misclassification in turn leads to public revenue losses, estimated at:

- \$79.1 million lost Social Security and Medicare contributions annually;
- \$19.3 million in lost State income revenue annually; and
- \$32.1 million in lost federal incomes tax revenue annually.<sup>3</sup>

That same analysis indicates that businesses misclassifying construction workers in Maryland avoid paying an estimated:

- \$27.4 million in overtime pay annually;
- \$9.1 million in Unemployment Insurance contributions annually;
- \$58.7 million in Workers' Compensation premiums annually; and

<sup>2</sup> Laura Valle-Gutierrez, *New Estimates: Misclassification in the Maryland Construction Industry*, The Century Foundation, January 2025, <https://production-tcf.imgix.net/app/uploads/2025/01/27111033/Misclassification-in-the-Maryland-Construction-Industry.pdf>.

<sup>3</sup> Ibid.

- \$82.3 in Federal Insurance Contributions Act (FICA) payments, (i.e. federal payroll tax), annually.<sup>4</sup>

The Joint Enforcement Taskforce on Workplace Fraud (JETF) heard from women and minority-owned businesses and workers about the prevalence of workplace fraud on public construction projects. Minority business owners shared how workplace fraud makes it hard for them to compete with businesses that engage in misclassification. Minority construction subcontractors expressed views such as: *“The fines for misclassifying workers are too low. The general contractors just see paying fines as part of the cost of doing business. There has to be stronger enforcement to stop this. The general contractor has to see a cost to misclassifying workers.”* And *“I opened my business 40 years ago and it was hard, but I was able to grow into a successful business that helped support my family and create jobs in my community. I wouldn’t want to start my business now—it’s a race to the bottom.”*

On living wage contracts, workers were paid late, paid through a cash app without pay stubs, and denied overtime pay. One living wage contractor failed to pay workers at all and then declared bankruptcy – and since living wage contracts do not currently require a performance bond, this made it difficult to recover the wages workers were owed.

Most of our laws encourage compliance by penalizing the conduct that violates those laws. Subtitle 9 of this bill is intended to leverage state funds to affirmatively reward good labor practices that help workers, small businesses, and minority and women-owned businesses succeed – including lawful payment of wages, compliance with health and safety laws, and classifying employees as W-22 workers.

## Conclusion

Both of these provisions - incentivizing good labor practices and requiring the use of Registered Apprenticeships and Internships on state funded projects are critical to our State’s ability to create quality jobs and grow the middle class. Strengthening compliance with labor standards and connecting more Marylanders to good paying jobs can help ensure that pathways to work, wages, and wealth are available to all Marylanders.

**The Department respectfully requests a Favorable Report on SB 426.** For questions, please contact Andrew Fulginiti, at [Andrew.Fulginiti@maryland.gov](mailto:Andrew.Fulginiti@maryland.gov).

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<sup>4</sup> Ibid.

## **SB 426 Support**

Uploaded by: Tiffany Clark

Position: FAV

**CAROLYN A. QUATTROCKI**  
*Chief Deputy Attorney General*

**LEONARD J. HOWIE III**  
*Deputy Attorney General*

**CARRIE J. WILLIAMS**  
*Deputy Attorney General*

**ZENITA WICKHAM HURLEY**  
*Chief, Equity, Policy, and Engagement*



**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**

**ANTHONY G. BROWN**  
*Attorney General*

**PETER V. BERNIS**  
*General Counsel*

**CHRISTIAN E. BARRERA**  
*Chief Operating Officer*

**TIFFANY CLARK**  
*Chief – Legislative Affairs Unit*

February 5, 2025

TO: The Honorable Guy Guzzone  
Chair, Budget and Taxation Committee

FROM: Tiffany Clark  
Chief, Legislative Affairs, Office of the Attorney General

RE: Senate Bill 426 – Procurement Reform Act of 2025- **Support**

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The Office of the Attorney General requests a favorable report of **Senate Bill 426** – Procurement Reform Act of 2025. **Senate Bill 426** will make Maryland’s procurement process more transparent and equitable.

**Senate Bill 426** establishes comprehensive and sweeping reforms to Maryland’s procurement laws. The Office of State Procurement and Chief Procurement Officer will generally be given wide authority over specific Maryland Department of Transportation procurements and other procurements. **Senate Bill 426** also revises the way in which the State addresses a number of procurement matters, including, but not limited to, small business practices; noncompetitive negotiations; communications with the Board of Public Works on certain procurement matters; certain Office of Small, Minority, and Women Business Affairs programs; pay-for-success contracting; master contracting thresholds; submittals of workforce and/or supplier diversity plans; alteration of payments of certain procurement programs; procurement preference for good labor practice certified business; and more.

Additionally, **Senate Bill 426** creates a Good Labor Practices Preference for contractors that attest that in the performance of work on the contract, it will: (1) employ workers as W-2 employees, (2) issue paychecks rather than pay in cash, (3) provide the Maryland Department of Labor with a list of all subcontractors on the project, (4) provide written notice to the subcontractors of their obligations to employ workers as true employees and otherwise comply with wage and hour laws; and (5) agree to be jointly and severally liable with the subcontractor for any violations. **Senate Bill 426** will incentivize compliance with wage and hour laws and make it easier to address violations of State wage and hour laws.

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This bill letter is a statement of the Office of Attorney General’s policy position on the referenced pending legislation. For a legal or constitutional analysis of the bill, Members of the House and Senate should consult with the Counsel to the General Assembly, Sandy Brantley. She can be reached at 410-946-5600 or [sbrantley@oag.state.md.us](mailto:sbrantley@oag.state.md.us).

Please note that the OAG has no position on the MBE goals laid out in this bill.

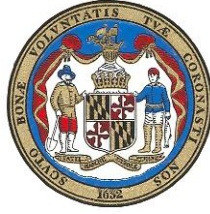
Transparency in procurement fosters an environment of fairness, competition, and trust, which benefits government agencies and businesses alike. For the foregoing reasons the Office of the Attorney General requests a favorable report on **Senate Bill 426**.

CC: Governor's Legislative Office  
Budget and Taxation Committee Members

# **SB 426 - STO Testimony.pdf**

Uploaded by: Dereck Davis

Position: FWA



MARYLAND STATE TREASURER  
Dereck E. Davis

**Testimony of the Maryland State Treasurer's Office**

**Senate Bill 426: Procurement Reform Act of 2025**

**Position: Favorable with Amendments**

**Senate Budget & Taxation Committee | Procurement Subcommittee**

**February 5, 2025**

As one of three members of the Board of Public Works (BPW or Board), the State Treasurer is in the unique position of understanding both the importance of the Board's oversight as well as the need to increase efficiencies in the State's procurement processes for the benefit of all involved. Senate Bill 426 seeks to fulfill this need by streamlining processes, consolidating programs, and clarifying existing procurement laws.

While generally supportive of these efforts, the State Treasurer's Office (STO) notes that several of the changes shift authority from BPW to the Chief Procurement Officer in the Department of General Services. These changes diminish the legislature's direct oversight of aspects of the procurement process via the State Treasurer, whom the General Assembly elects. For the following reasons, STO respectfully requests a favorable with amendments report on Senate Bill 426.

**Provisions Limiting BPW Authority**

A number of provisions in the bill shift, alter, or diminish BPW's authority to review and approve procurements. Four such provisions raise concerns for the State Treasurer, including those relating to (1) expedited procurements, (2) contract modifications, (3) source selection methods, and (4) cancelled solicitations or rejections of all bids.

### ***Expedited Procurements***

As drafted, under § 13-108 of the State Finance and Procurement Article, the Board would lose its authority to approve the use of the expedited procurement method and would instead only receive a report after a contract is awarded.

Prior to 2021, the use of this procurement method was limited to the Maryland Port Commission and the Maryland Aviation Administration. In testimony during the 2021 legislative session, the sponsor of the legislation proposed expanding the use of the expedited procurement as a way to limit overuse and misuse of the emergency procurement method, which became a concern due to the significant increase in the number of emergency procurements during the COVID-19 pandemic. The limitations of the emergency procurement method were also cited as reasons to limit its use and offer State agencies an alternative procurement method. As drafted, the proposed changes to the way the expedited procurement method is approved and reported reduce the Board's authority that previous legislation aimed to restore.

In order to better serve legislative intent, STO proposes an amendment to substitute the Chief Procurement Officer for the unit head. This change would ensure that BPW would continue to review expedited procurements at the beginning of the process, while allowing the Chief Procurement Officer to approve the method instead of agency representatives.

### ***Contract Modifications***

The addition of §15-112.1 of the State Finance and Procurement Article is similarly of concern. The current threshold for Board review for contract modifications is set at \$50,000 by regulations promulgated by the Board. While provisions in Senate Bill 426 place limitations on the substance of the modification, the legislation increases the threshold for review by twentyfold to \$1.0 million. As the State does not provide other avenues for visibility, the codification and increase in thresholds substantially limits the ability of the Board, the General Assembly, and the public to easily evaluate State procurement activity and changes to previously approved contracts.

Additionally, the modification approval process preserves visibility into agencies' minority business enterprise (MBE) compliance. Aside from modification requests, the Board requires MBE goals to be reported in an agenda item when an agency requests approval for a contract award or submits a procurement agency activity report (PAAR) for Board review. The only additional real-time reporting on MBE goal compliance is through requests for approval to modify a contract or exercise a contract's option. Too often the only time the Board, or any other interested party, is made aware of contractors' failures to meet MBE goals is through requests for approval of modifications.



For the reasons above, the State Treasurer's Office proposes amending Senate Bill 426 to strike §15-112.1 to preserve current law.

### ***Source Selection Methods***

Senate Bill 426 also diminishes BPW's oversight of established procurement methods. While procurement methods are currently established by law, as drafted, the bill grants the authority to establish new methods of source selection to the Chief Procurement Officer. The bill further allows the Chief Procurement Officer to provide guidelines for these new methods, a responsibility currently prescribed to the Board through the regulatory process. STO requests amending § 13-102(c) of the State Finance and Procurement Article as reflected in the bill to allow the Chief Procurement Officer to take these actions only with Board approval.

### ***Cancellations of Procurements/Solicitation***

Under § 13-206 of State Finance and Procurement Article as reflected in the bill, the Chief Procurement Officer, rather than the Board, would approve an agency's request to cancel an invitation for bids or reject all bids. Currently, the Board has adopted regulations to delegate authority over these actions to State agency heads, but agencies must include these actions in PAARs. The change contemplated in Senate Bill 426 would have the effect of repealing the Board's authority to compel agencies to submit this information on PAARs.

### **Next Steps**

STO has met with the Administration to discuss these amendments and emphasize the importance of preserving BPW's authority. Treasurer Davis and staff would appreciate the opportunity to continue discussing broader procurement reforms with the Subcommittee and respectfully request favorable with amendments consideration for Senate Bill 426. Please contact Laura Atas, Deputy Treasurer for Public Policy ([latas@treasurer.state.md.us](mailto:latas@treasurer.state.md.us)), with any questions.

# **SB 426\_MDCC\_Procurement Reform Act of 2025\_FWA.pdf**

Uploaded by: Grason Wiggins

Position: FWA



## Senate Bill 426

Committee: Budget & Tax

Date: February 5, 2025

**Position: Favorable with Amendments**

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Founded in 1968, the Maryland Chamber of Commerce (the Chamber) is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and recovery for Maryland businesses, employees, and families.

The Chamber applauds the overall intent of Senate Bill 426 (SB 426), as procurement is a key lever for economic development, and we write to highlight a few targeted amendments that we believe will further strengthen the procurement process and provide greater certainty for Maryland businesses.

### **Clarification of Timing for Participation Goals and Post Execution Amendments**

Government units should set participation goals at the solicitation stage rather than waiting until contract execution. This change would ensure that companies bidding on state contracts have clear expectations from the outset, reducing uncertainty and fostering a level playing field.

Additionally, we recommend that any adjustments to participation goals after contract execution should be allowed only under extraordinary circumstances clearly defined by the Chief Procurement Officer. This limitation would prevent last-minute changes that could force vendors into re-bidding or create ambiguity over what constitutes the “best interest of the state.”

**We propose the following changes under Section 14-302(a)(8) and Section 14-602(c)(2):**

- (I) AT ANY TIME PRIOR TO CONTRACT EXECUTION **SOLICITATION;**
  - (II) AFTER CONTRACT EXECUTION, ~~WHEN DETERMINED TO BE IN THE BEST INTEREST OF THE STATE,~~ **DUE TO EXTRAORDINARY CIRCUMSTANCES, IN ACCORDANCE WITH CRITERIA ESTABLISHED BY THE CHIEF PROCUREMENT OFFICER;**
- OR

**We propose the following changes to Section 14-602(c)(4):**

- (I) ) ~~IT IS IN THE BEST INTEREST OF THE STATE~~ **IT IS NECESSARY DUE TO EXTRAORDINARY CIRCUMSTANCES, IN ACCORDANCE WITH CRITERIA ESTABLISHED BY THE CHIEF PROCUREMENT OFFICER;**

### **Penalties**

We are concerned that the penalties outlined in the legislation are overly broad and could lead to unintended consequences for Maryland businesses. While we support accountability measures,

the current language creates uncertainty. For example, the provision that requires reporting violations to the Attorney General, who may then decide to bring a civil action, risks penalizing contractors for violations that may be the result of administrative oversights or misinterpretations.

Additionally, imposing financial penalties that are directed to the state's apprenticeship training fund, coupled with the possibility of future contract bands or civil penalties under the False Claims Act, could discourage participation in the procurement process, especially among smaller businesses.

To address these concerns, we recommend including a notice-and-cure period that would allow contractors a reasonable time to remedy any deficiencies before severe penalties are enforced. Second, we urge the inclusion of clear, precise definitions of what constitutes willful misconduct or intentional withholding of information, ensuring that only cases of demonstrable bad faith trigger the more severe consequences. These adjustments would help balance the need for rigorous enforcement of labor standards with the importance of maintaining a fair, predictable, and competitive procurement process that supports the interests of all businesses.

### **Good Labor Standards**

As introduced, in order for a business to obtain certification as a good labor practices certified business, the business must attest that they will directly employ W-2 employees for any work performed under the contract.

While this requirement may be well-intentioned, we are concerned that it may inadvertently exclude a significant segment of Maryland's workforce and businesses. Many companies rely on 1099 arrangements, especially in industries where project-based or specialized work is common. Forcing a one-size-fits-all employment model could diminish competitive opportunities for these firms, hinder innovation, and ultimately reduce the pool of qualified contractors bidding on state projects. Instead, we recommend removing this standard as it would unduly restrict participation.

By ensuring that the state's procurement process is fair, transparent, and supportive of businesses, we will create an environment where every Maryland business can thrive and contribute to a stronger economy.

### **Cybersecurity and IT**

On page 12, the Chamber suggests further clarifying the CPO's by defining IT marketplace portals in state code and giving the CPO the authority for the state to use secure marketplaces to procure IT services, which will strengthen cybersecurity and continue to allow Maryland agencies to innovate. Additionally, to increase efficiency and improve cybersecurity for the state, the Chamber suggests including a 90-day timeframe under which approved IT projects as defined in the bill must move forward to the Board under the CPO's authority.



For these reasons, the Chamber respectfully requests a **favorable report with amendments** on SB 426.



## **Testimony on climate and procurement reform JLM 20**

Uploaded by: Jennifer Mizrahi

Position: FWA



In Support of [SB 426](#) the Procurement Reform Act of 2025  
Before the Budget and Taxation Committee  
February 5, 2025

Testimony of Jennifer Laszlo Mizrahi, co-founder of Mizrahi Family Charitable Fund

Commissioner, Maryland Climate Change Commission\* (for identification only)

Esteemed Chairman Senator Guy Guzzone, Vice Chair Rosapepe and members of the Budget and Taxation Committee -

Thank you for the opportunity to testify in support of the **Procurement Reform Act of 2025**. My name is Jennifer Laszlo Mizrahi and I am the cofounder of the Mizrahi Family Charitable Fund and serve as a representative of philanthropy on the Maryland Climate Change Commissioner. For decades I served as a CEO of companies and nonprofits. Thus, I know the importance of accurate financial forecasts, budgets, tracking and accountability. As an advocate for fiscal responsibility, climate accountability, and inclusive policymaking, I am here today to emphasize the urgent need for standardized, transparent tracking of climate-related expenditures within Maryland's budget and procurement processes.

## The Need for Reform

As mandated by **Maryland law §2–1304**, the Maryland Commission on Climate Change must report annually on the state's spending on measures to reduce greenhouse gas (GHG) emissions and the percentage of those funds benefiting disproportionately affected communities. However, **the current reporting framework lacks clear methodology and coding, leading to significant inaccuracies and potential overstatements in climate-related spending.**

The [2024 State Spending on Greenhouse Gas Reduction in Maryland Report](#) attempted to assess state spending on GHG reductions, but its methodology allowed agencies to count entire programs as climate-related spending even when emissions reductions were incidental or secondary benefits. The report, which well-intentioned but sadly misleading, states:

- **\$3.1 billion** was reported as spent on GHG reductions in FY 2024, representing **10% of surveyed agencies' budgets** and **7.8% of the state's total budget**.
- Agencies were instructed to count programs as GHG reduction spending even if **their primary purpose was not climate-related**.
- Spending included items such as **mass transit, traffic management, nutrient management, forest management, and water quality projects**—many of which would have been funded regardless of climate considerations.

## The Importance of Accurate Cost Accounting

To ensure that climate-related expenditures reflect real investments in emissions reductions, Maryland must **adopt a “marginal cost” approach** to budgeting for GHG reduction measures. This means tracking **only the additional cost** incurred specifically for emissions reduction, rather than counting the entire cost of projects that would have been undertaken anyway.

For example:

- If an agency **purchases an electric vehicle (EV)**, only the **cost difference** between the EV and a comparable gasoline vehicle should be counted as climate spending.
- If an agency **installs a high-efficiency heat pump**, only the **incremental cost** above replacing an existing system with a standard alternative should be counted.
- If a program is primarily **for Chesapeake Bay restoration** but has secondary GHG benefits, only the **additional expenses specifically aimed at reducing GHGs** should be included.

*Note that in all three cases doing the right thing for climate may also be the cheapest way to do things, especially as costs for clean technologies are going down.*

This approach is **essential for fiscal transparency and accountability**, ensuring that reported climate expenditures reflect actual investments in emissions reductions rather than inflated figures that could be misrepresented as excessive spending.

## Tracking Climate Damage and Resiliency Costs

Currently, Maryland has **no state requirement to track the costs of climate damages or the costs of resiliency measures**. This is a critical oversight that leaves the state financially unprepared for the growing burden of climate-related disasters.

For example:

- **Hurricane Isabel (2003)** caused **\$462 million** in damages across Maryland, requiring extensive emergency response, infrastructure repairs, and rebuilding efforts.
- **The 2016 Ellicott City flood** resulted in **\$22.4 million** in damages, with subsequent storms necessitating additional massive and expensive mitigation projects.
- **The 2023 Canadian wildfire smoke event** led to increased hospital visits, emergency responses, and economic disruptions, imposing hidden costs on public health systems.

Additionally, climate adaptation investments—such as **reinforcing bridges against extreme flooding, upgrading stormwater systems for heavier rainfall, or strengthening electrical grids for higher heat waves**—are significant expenditures that should be tracked and reported.

If Maryland fails to document these costs, we risk underestimating the true financial impact of climate change on state resources and local communities. **By adding a dedicated category for**



climate damage and resiliency costs in our financial tracking systems, we can ensure better preparedness, resource allocation, and justification for future mitigation investments.

## **Proposed Solutions: Implementing Climate Budget Tagging**

To correct these issues, Maryland should integrate **Climate Budget Tagging (CBT)** into its financial reporting system. CBT is a globally recognized best practice that allows governments to systematically track climate-related expenditures within public budgets.

### **Implementation Steps:**

1. **Establish Standardized Climate Cost Codes:** Modify budget and procurement systems to include unique codes for climate-related expenditures, ensuring uniform tracking across agencies.
2. **Develop Clear Criteria for Climate Spending:** Define eligible expenditures based on the **marginal cost principle**, preventing overstatement and ensuring accurate assessment of climate investments.
3. **Enhance Interagency Coordination:** Require agencies to coordinate with **MDE and the Comptroller's Office** to refine data collection and reporting methodologies.
4. **Improve Public Accountability:** Publish detailed annual reports that separate **direct climate spending** from spending with **incidental climate benefits** to prevent misclassification.
5. **Track Climate Damage and Resiliency Costs:** Implement a separate category in financial reports to document **disaster recovery spending and resilience investments**, providing a comprehensive picture of Maryland's climate-related financial burden.
6. **Provide Training and Capacity Building:** Equip procurement and finance officers with tools to assess and categorize expenditures correctly.

## **Why This Matters Now**

Maryland is facing **serious budget challenges**, making **fiscal integrity in climate spending more critical than ever**. If people believe that **10% of the state budget is being spent on climate action alone** – they would be quite mistaken.

Additionally, **accurate data is essential for legal action** against fossil fuel companies that have both lied about the damages their products cause and contributed to climate damages. If Maryland seeks to hold these corporations accountable, it must present **credible, defensible numbers** that withstand scrutiny in court.

## **Conclusion**

By refining our financial tracking systems to include specific codes and guidelines for climate-related spending, damages, and resiliency measures, Maryland can achieve a more accurate and transparent understanding of its investments and liabilities concerning climate change. **These measures will ensure fiscal responsibility, enhance climate preparedness, and strengthen Maryland's ability to hold polluters accountable.**

I urge the General Assembly to pass the **Procurement Reform Act of 2025** and incorporate these essential reforms into Maryland's budget and procurement processes. Thank you for your time and consideration.

**Sincerely,**

Jennifer Laszlo Mizrahi

Co-Founder, Mizrahi Family Charitable Fund (<http://mizrahienterprises.com/charitable>)

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# **sb426test (final).pdf**

Uploaded by: Marcus Jackson

Position: FWA



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February 4, 2025

TO: BUDGET AND TAX COMMITTEE  
FROM: ASSOCIATED BUILDERS AND CONTRACTORS  
RE: S.B. 426 – PROCUREMENT REFORM ACT OF 2025  
POSITION: FAVORABLE WITH AMENDMENTS

The Associated Builders and Contractors for Maryland, appreciates the opportunity to opine on SB 426 which is before you today for consideration. The bill as written would modernize and streamline the procurement process within Maryland's state government and associated entities. It seeks to enhance efficiency, promote small and minority-owned businesses, and adapt to contemporary needs for public procurement.

ABC in particular has concerns regarding the insertion of a 5% or more preference for companies certified as good labor practice companies as we believe this will serve to increase the cost of construction projects significantly and unnecessarily. As an alternative we suggest requiring bidders to certify their compliance with the enumerated items but eliminate any requirement that a contractor would be jointly and severally responsible for any and all employment violations by a subcontractor.

We respectfully suggest the following amendments:

Page 30, Line 5, Add (i) before "A"

(Line 12) **(ii) IN THE EVENT THAT A UNIT ADDS OR INCREASES THE MINORITY BUSINESS PARTICIPATION GOAL UNDER THIS SUBSECTION, THE PROCUREMENT CONTRACT WILL BE AMENDED TO ENABLE AN EQUITABLE ADJUSTMENT TO PRICE COMMESURATE WITH ANY INCREASE IN COST.**

Page 38, Line 4, Add (i) before "A"

(Line 10) **(ii) IN THE EVENT THAT A UNIT ADDS OR INCREASES THE VETERAN BUSINESS PARTICIPATION GOAL UNDER THIS SUBSECTION, THE PROCUREMENT CONTRACT WILL BE AMENDED TO ENABLE AN EQUITABLE ADJUSTMENT TO PRICE COMMESURATE WITH ANY INCREASE IN COST.**

Page 42, line 22 through 27, amend:

~~(A) TO OBTAIN INITIAL CERTIFICATION AS A GOOD LABOR PRACTICES CERTIFIED BUSINESS, A BUSINESS MUST ATTEST THAT, A BUSINESS AWARDED A ON AN CONTRACT SUBJECT TO THIS SUBTITLE THAT IT IS AWARDED OR UNDER WHICH IT~~

Pg 43, STRIKE LINES 23-27: ~~BE JOINTLY AND SEVERALLY LIABLE AS AN EMPLOYER OF ANY VIOLATION FO A SUBCONTRACTOR UNDER TITLE 3, TITLE 5, TITLE 8 OR TITLE 9 OF THE LABOR AND EMPLOYMENT ARTICLE OR TITLE 17 OR TITL 18 OF THIS ARTICLE IN CONNECTION WITH THE SUBCONTRACTOR'S PERFORMANCE OF WORK UNDER THE CONTACT;~~

Page 43, line 28, amend:

(9) PROMPTLY DISCLOSE TO THE COMMISSIONER, IN A FORM AND MANNER TO BE PRESCRIBED BY THE COMMISSIONER, ANY SUITS, CHARGES DEMANDS, ORDERS FINDINGS, OR ADJUDICATIONS MADE AGAINST IT IN CONNECTION WITH VILATIONS SUBJECT TO ITEM (1) (2) OR (3) OF THIS SUBSECTION ~~OR AGAINST ANY OF ITS SUBCONTRACTORS AS PROVIDED IN ITEM 8 OF THIS SUBSECTION;~~ AND

Page 44, strike line (3) through 30.

Page 45, strike line 1 through 17

Although S.B. 426 aims to enhance efficiency and promote small businesses, we feel that our suggested amendments are essential to ensure that the bill meets its objectives without leading to unintended negative consequences for contractors and the state's procurement process.

On behalf of the over 1,500 ABC members in Maryland, we respectfully request a favorable with amendment report on SB 426

Marcus Jackson, Director of  
Government Affairs



# **CA Letterhead\_ SB 426.pdf**

Uploaded by: Tasha Cornish

Position: FWA

## Senate Budget and Taxation Committee

Chair Guzzone and Members of the Committee

Good afternoon, Chair Guzzone and members of the Senate Budget and Taxation Committee. My name is Tasha Cornish, and I am the Executive Director of the Cybersecurity Association, Inc. (CA), a statewide, nonprofit 501(c)(6) organization dedicated to the growth and success of Maryland's cybersecurity industry. Established in 2015, CA represents over 600 businesses, ranging from Fortune 500 companies to independent operators, collectively employing nearly 100,000 Marylanders.

Thank you for the opportunity to provide testimony on **Senate Bill 426 – Procurement Reform Act of 2025**. This bill proposes comprehensive reforms to Maryland's procurement processes, aiming to enhance efficiency, transparency, and inclusivity. The Cybersecurity Association, Inc. **supports SB 426 with amendments** to address specific concerns and ensure the legislation benefits all stakeholders, particularly small and emerging businesses within Maryland's cybersecurity sector.

### Support for Changes to §15–103

The Association strongly supports the proposed changes to **§15–103**, which include **shortening the payment timeline for small businesses**. This change is critical for small businesses, as **faster payment processing** improves cash flow, reduces financial strain, and enhances their ability to compete effectively in state procurement opportunities. Timely payments are often the difference between success and struggle for small businesses, especially in the rapidly evolving cybersecurity industry where operational costs can be substantial.

### Recommended Amendments

1. **Establish a Maximum Timeframe Between Recommended Award Announcement and Board of Public Works Approval**
  - **Proposal:** Define a specific **maximum period** between the announcement of a recommended contract award and its approval by the Board of Public Works.
  - **Rationale:** Implementing a defined timeframe ensures a **predictable and efficient procurement process**, reducing uncertainty for businesses awaiting contract finalization. This predictability is particularly important for cybersecurity firms managing project timelines and resource allocations.
2. **Allow Procuring Entities to Petition for a Waiver of the Time Limit for Good Cause**
  - **Proposal:** Permit procuring entities to **request a waiver** of the established timeframe in cases of **good cause**, such as complex contract negotiations or unforeseen administrative delays.
  - **Rationale:** This amendment provides necessary **flexibility** for exceptional circumstances while maintaining accountability and efficiency in the standard procurement timeline.

### Concerns Regarding Apprenticeship Requirements

While we support the bill's intent to foster workforce development through apprenticeship programs, we have concerns that the **apprenticeship requirements** may impose **undue burdens on smaller businesses**, potentially limiting their ability to compete for state contracts. Smaller cybersecurity firms often lack the administrative capacity and resources to manage formal apprenticeship programs, which could create barriers to entry in the procurement process.

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**Recommendation:** We recommend that the bill include provisions to:

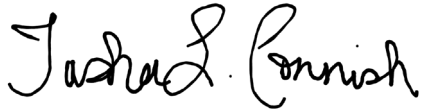
- **Provide flexibility or waivers** for small businesses concerning apprenticeship mandates, or
- **Offer robust support mechanisms** to help small businesses meet apprenticeship requirements without disproportionate administrative or financial burdens.

### **Conclusion**

By incorporating these amendments, SB 426 will strengthen Maryland's procurement framework, **promote fair competition**, and **support the growth of small and emerging businesses**, particularly in the cybersecurity sector. The bill's focus on **streamlining payments**, **improving procurement timelines**, and **enhancing transparency** aligns with the needs of Maryland's dynamic business community.

Thank you for your time and consideration. I urge a **favorable report on SB 426 with the proposed amendments**.

**Sincerely,**



Tasha Cornish  
Executive Director  
Cybersecurity Association, Inc.



# **AUC of Maryland\_SB426\_UNFAV.pdf**

Uploaded by: Andrew Griffin

Position: UNF



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February 5, 2025

Legislative Position: Unfavorable  
Senate Bill 426  
Procurement Reform Act of 2025  
Senate Budget & Taxation Committee

Dear Chairman Guzzone and members of the committee:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

We are writing to express our serious concern on SB 426, the Procurement Reform Act of 2025. As merit-based contractors and subcontractors who primarily work on public work projects, we believe this bill will have a negative impact on our industry and our ability to fairly compete for business in Maryland.

First, the bill's strong emphasis on contracting with businesses of certain classifications (Section 14502, 14602, and 146021) will limit opportunities for contractors who do not fall within those categories. We believe the state should strike a fair balance in contracting with small and minority owned businesses while also awarding contracts based on merit. SB 426 proposes to tilt the balance of favor in one direction over another.

Furthermore, the bill's introduction of pay-for-success as a contracting option (Section 131121) raises concerns about the potential for favoritism and lack of transparency in the procurement process. This approach may lead to contracts being awarded to companies that are not necessarily the best qualified or most cost-effective, but rather those that are able to promise the most desirable outcomes.

Additionally, the requirement for contractors to submit a workforce diversity plan and supplier diversity plan before being awarded a contract (Section 13229) is an unnecessary burden that will add costs

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and complexity to the procurement process. We believe that contractors should be judged on their ability to deliver quality work, not on their ability to diversify their supply chain.

We are also concerned about the provision that allows for increasing the Minority Business Enterprise (MBE) goal at any time (Section 14302). This lack of predictability and stability will make it difficult for contractors to plan and bid on projects, and may lead to delays and cost overruns.

Finally, the requirement for contractors to use apprentices on certain projects (Section 14801-14805) is an unnecessary mandate that will add costs and complexity to the procurement process. Like many construction and trade based industries, we support apprenticeships and workforce development initiatives to create and grow the next generation of industry leaders. But we believe that contractors should be free to decide how to staff their projects, rather than being forced to hire individuals with specific credentials over others.

If passed, B 426 will lead to unfair and unnecessary burdens on merit-based contractors and will ultimately harm the state's ability to deliver quality work on state contracts. For these reasons, we urge the committee to issue an **unfavorable report on SB 426**.

Sincerely,

The Associated Utility Contractors of Maryland (AUC)

# **SB0426\_LOI\_MTC\_Procurement Reform Act of 2025.pdf**

Uploaded by: Drew Vetter

Position: INFO



Senate Budget and Taxation Committee

February 5, 2025

Senate Bill 426 – *Procurement Reform Act of 2025*

**LETTER OF INFORMATION**

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of information for Senate Bill 426.

This Administration bill makes a number of changes intended to reform the way the State purchases goods and services. We appreciate the Administration's attention to Maryland's procurement system, which needs modernization and process improvements, and we support the Administration's proposals in this bill that further progress toward that goal.

However, we submit this letter of information to note that some portions of the bill impose substantial new requirements on entities that are awarded contracts with the State. Our membership is concerned that such new obligations may be difficult to comply with and, in some cases, jeopardize a company's ability to do business with the State. For example, the bill requires contractors to establish Internship and Registered Apprenticeship Programs if they are awarded a contract of over \$1,000,000. The bill does not define what an eligible internship program is. Industries such as information technology (IT), software, and cyber may not have a connected Registered Apprenticeship Program. Additionally, the bill allows the Labor Secretary to establish penalties for failure to use interns or apprentices as required, but it is unclear what those penalties will be. Given the lack of specifics around these new requirements, companies are concerned about how these provisions will impact their ability to do business with the State.

Members' companies have raised questions on other aspects of the bill, including the sections on procurement preferences for a "Good Labor Practices Certified Business" and the need for additional clarity around required "Workforce Diversity Plans". Further, and given that this bill is highly technical and lengthy in nature, we have members who are reviewing various components of this bill. MTC members are examining sections of the bill on how minority business participation goals are set during the contracting process, how procurements for IT services are conducted, and other technical components of the legislation. We expect to have additional specific feedback following the hearing of Senate Bill 426 and appreciate the Committee's and Administration's willingness to work with our membership as this bill is being deliberated.

**For more information call:**

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