

January 28, 2026

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

Re: Letter of Information – Senate Bill 232 – State Procurement – Preferences – Historically Underutilized Business Zone Businesses

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 232 and offers the following letter of information for the Committee’s consideration.

Senate Bill 232 establishes the overall percentage goal of each MDOT mode’s total value of procurement contracts to be made directly or indirectly with Historically Underutilized Business (HUB) Zone businesses at 1% in 2026 and 2027, 2% in 2028, and 3% in 2029 and each year thereafter. Further, the bill requires the Governor’s Office of Small, Minority, and Women Business Affairs (now the Department of Social and Economic Mobility) to adopt regulations establishing a certification process and a certain percentage price preference. Finally, SB 232 establishes compliance and reporting requirements.

It is unclear whether the 1% to 3% goal would come within, or on top of the existing 20% goal for the Small Business Reserve program. Mandating another goal to be achieved with the same pool of procurement dollars will only make it harder to meet either goal. It is unclear whether this is a prime contracting program, a subcontracting program, or both. Currently, for State-funded contracts, MDOT strives to meet the 29% MBE goal, the 20% SBR goal and the 3% VSBE goal. The addition of another program likely reduces competition for State contracts, resulting in higher prices for many of those contracts.

According to the current Small Business Administration HUB Zone map, Qualified HUB Zones within Maryland are Garrett, Kent, Caroline and Dorchester counties, as well as specific Census tracts around Hagerstown, Frederick, Gaithersburg, Silver Spring, Lanham, Capitol Heights, Laurel, Glen Burnie, Baltimore City, Dundalk, Essex, Edgewood, Aberdeen, Havre de Grace and Elkton.

Senate Bill 232 will impose an additional workload on procurement and compliance staff to: research HUB Zone businesses that might be available to perform each contract as prime contractor or a subcontractor; prepare paperwork for goal-setting; obtain review and approval of the agency’s Procurement Review Group; write requirements into solicitations; answer bidder questions about the program; evaluate bids for compliance; monitor vendor compliance with those goals; and track and report awards and payments to HUB Zone businesses.

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Senate Bill 232 will also lengthen the time required to complete procurements, and specific requirements could increase costs due to reduced competition if there is a lack of qualified vendors in the HUB Zones.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 232.

Respectfully submitted,

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