



Governor Wes Moore

Lt. Governor Aruna Miller

Acting Secretary Walter L. Simmons

Bill Number: Senate Bill 232
Title: State Procurement – Preferences – Historically Underutilized Business Zone Businesses
Committee: Budget and Taxation
Hearing Date: January 28, 2026
Position: Letter of Information

Dear Chair Guzzone and Members of the Committee:

The Department of Social and Economic Mobility (DoSEM) thanks the Committee for the opportunity to provide written testimony on Senate Bill 232 (SB 232). While we recognize the intent to support Historically Underutilized Business Zone (HUBZone) businesses, we must express concerns regarding the operational, fiscal, and policy impacts of establishing a state-level HUBZone preference program.

SB 232 would require the Office of Small, Minority, and Women Business Affairs (OSBA) within the DoSEM to adopt regulations establishing a HUBZone certification process, percentage price preference, compliance, and a mandated reporting requirement. This program would be distinct from OSBA’s existing socioeconomic programs, including the Minority Business Enterprise (MBE), Small Business Reserve (SBR), Small Business Preference (SBP), and Veteran-Owned Small Business Enterprise (VSBE) Programs.

The Department of General Services (DGS) and the Office of Small, Minority & Women Business Affairs (OSBA) were tasked in Senate Bill 644, Chapter 518, Acts of 2022, referenced in the Maryland Annotated Code to study the feasibility and impacts of establishing a State procurement percentage preference for businesses located in federal HUBZones and report to the General Assembly by December 1, 2022. The Study found no evidence to support any direct benefit to Maryland small businesses by creating a HUBZone preference within the SBR Program.

Implementing a state HUBZone preference program would create costly and complex new administrative obligations, including staffing, system modifications, and ongoing compliance monitoring. Beginning in FY 2027, DoSEM would require at least one full-time Compliance Manager (Grade 18, \$98,654 midpoint), plus funds to integrate HUBZone businesses into procurement systems or develop new data infrastructure. Other state agencies may require additional staff to manage goals and compliance. These requirements cannot be absorbed by existing personnel, and while exact total costs are not currently feasible to estimate, they would be real and recurring.

Moreover, SB 232 would add redundancy to an already active and expansive state procurement equity framework. Federal HUBZone certification already confers meaningful procurement advantages, including set-asides and price evaluation preferences under the Federal Acquisition Regulations. Creating a parallel state program duplicates federal efforts rather than leveraging them, requiring new administrative mechanisms, tracking, and compliance oversight.

The number of HUBZone-certified businesses in Maryland recognized by the United States Small Business Administration (SBA) is small; 262 firms represent a limited portion of the state’s business community.



Given the administrative and oversight requirements, the potential fiscal impact may outweigh the benefits, raising concerns about cost-effectiveness and efficiency.

DoSEM is grateful to offer this Letter of Information for SB 232 and welcomes the opportunity to discuss further.