

SB 232_State Procurement-Preferences-Historically

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Position: FAV



Senate Bill 232

Date: January 28, 2026

Committee: Budget and Taxation

Position: Favorable

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, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees, and families.

Senate Bill 232 will improve Maryland's state procurement system by aligning state contracting procedures with established federal standards for engaging Historically Underutilized Business Zone (HUBZone) businesses. The bill requires units to structure procurement procedures to meet certain federal procurement standards and sets overall percentage goals for the proportion of state procurement dollars to be directed to HUBZone certified firms.

Maryland's business community continues to support inclusive economic growth and equitable access to government contracting opportunities. By expanding participation in state procurement for HUBZone businesses, SB 232 will help create a more diverse supplier ecosystem—supporting small and locally-based companies that contribute to job creation, community investment, and long-term economic resilience. This complements existing efforts to broaden access for minority-, veteran-, and women-owned firms in state contracts, while strengthening Maryland's competitiveness in attracting federal funds and contracts.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **favorable report on SB 232**.

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Position: INFO



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.

SB 232 - DGS Letter of Information - 1-28-2026.pdf

Uploaded by: John Woolums

Position: INFO

**Senate Bill 232 - State Procurement - Preferences -
Historically Underutilized Business Zone Businesses**

Position: Letter of Information

Committee: Senate Budget and Taxation Committee

Date: January 28, 2026

From: John R. Woolums, Esq.

The Department of General Services (DGS) takes no position on Senate Bill 232 and is providing this Letter of Information for the Committee's consideration.

This legislation would establish a new category of small businesses, Historically Underutilized Business Zone businesses (HUBzone businesses). DGS appreciates the effort to support small businesses in communities in need of socioeconomic resources. However, SB 232's operational and fiscal effect is unclear because it is not known whether the program is intended to operate as part of small business reserve (SBR) or as a stand-alone preference program.

The program proposed to be established by this bill is drafted in a section of procurement law that is separate from the SBR program; however, the definition of a HUBzone business is incorporated into the definition of a small business under SBR. Regardless, the establishment of the program will result in both operational and fiscal impacts to DGS. In order to implement this bill, additional staff resources would be necessary to carry out the tracking, goal setting, contract compliance, and reporting for the HUBzone program.

The Procurement Reform Act of 2025 (HB 500, Ch. 601) was enacted to advance the SBR program. This recently enacted legislation expanded the SBR program to apply to all eligible procurements with a total dollar value of \$1,000,000 or less to be automatically designated to the SBR program. It is unclear if SB 232 would require an additional 1-3% participation of HUBzone businesses on top of the existing 20% SBR program requirement or if 1-3% would be a subset of the existing 20% allocated to the HUBzone businesses. Adding a HUBzone business designation may have the unintended consequence of impeding the growth of the SBR program.

Again, DGS is providing this testimony for informational purposes. DGS looks forward to further collaboration on this issue and efforts to continue supporting small businesses and economic development.

Contact: John R. Woolums, Esq., Director of Government and Legislative Affairs,
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SB0232 - TSO - LOI - State Procurement – Preferenc

Uploaded by: Patricia Westervelt

Position: INFO

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.

The Honorable Guy Guzzone
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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
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