

MEMORANDUM

February 3, 2020

TO: Government Operations and Fiscal Policy Committee

FROM: Christine Wellons, Legislative Attorney
Wellons

SUBJECT: Bill 39-19, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Amendments¹

PURPOSE: Worksession – Committee to make recommendations to Council

EXPECTED ATTENDEES:

Ash Shetty, Procurement Director
Grace Denno, Compliance Division Chief
Michael Brown, LSBRP Program Manager

Council Bill 39-19, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Amendments, sponsored by Lead Sponsor Councilmember Jawando and Co-Sponsors Councilmembers Rice, Navarro, Riemer, Albornoz, Glass, Council Vice-President Hucker and Council President Katz, was introduced on December 3, 2019. A public hearing was held on January 14, at which five speakers testified in support of the bill.

Bill 39-19 would amend the Small Business Reserve Program to:

- (1) permit the participation of non-profit organizations in the program;
- (2) increase the minimum percentage of contracts that must be awarded to small businesses;
- (3) establish a goal to award certain direct purchases to local small businesses; and
- (4) alter reporting requirements.

BACKGROUND

The Small Business Reserve Program, enacted by the Council in 2006, requires County agencies to award 20 percent of eligible procurements to certified local small businesses. The Office of Procurement certifies the businesses and administers the program. Under current law, the businesses must be for-profit entities.

¹ #LocalSmallBusinessReserve

An Office of Legislative Oversight (OLO) report dated July 30, 2019 (OLO Report 2019-9) made several recommendations regarding the Small Business Reserve Program, including a recommendation to:

[G]reater assist and increase the number of participating local, small businesses. Possible examples include:

Increase Opportunities for Local, Small Businesses by...prioritizing awards under \$10,000.... (See OLO Report 2019-19, Recommendation #1 at p. ii.).

The OLO report also summarized small business preference programs in other jurisdictions and noted that Prince George's County's program allows for the certification and participation of non-profit entities headquartered in the county. See OLO Report 2019-9 at p. 30.

BILL DESCRIPTION

Bill 39-19 would make several amendments to the County's Small Business Reserve Program under Chapter 11B of the County Code. First, the bill would alter the definition of a "local small business" to include any *for-profit* business or *non-profit* entity that:

- (1) has its principal place of business or operations in the County;
- (2) in the case of a for-profit business, is independently owned and operated;
- (3) is not a subsidiary of another business or entity; and
- (4) meets criteria, size limits, and gross sales amounts established by method 2 regulations.

Second, Bill 39-19 would increase from 20 to 25 percent the amount of procurements an agency must award to local small businesses.

Lastly, the bill would require an agency to establish a goal to award 50 percent of its "direct purchases" (*i.e.*, certain purchases of \$10,000 or less) to local small businesses, and to report to the Office of Procurement regarding those direct purchases.

SUMMARY OF PUBLIC TESTIMONY

At the public hearing, Procurement Director Ash Shetty voiced the Executive's support of Bill 39-19 (©10). Mr. Shetty noted that 95% of the resident businesses in the County are small businesses, and that expanding opportunities for these businesses supports the local economy. He also noted that the LSBRP has exceeded its 20% goal in recent years, and that it would be beneficial to small businesses and the local economy to increase the goal to 25% under the bill.

Several small business and nonprofit entities spoke in support of the bill, including CASA, Nonprofit Montgomery, the Montgomery County Small Business Association, and Nonprofit Village (© 11-16). Local chambers of commerce supported the bill through written testimony (© 17).

Multiple speakers noted that nonprofits support the local economy through the purchase of goods and services and job creation. See ©11-16. Nonprofit Montgomery noted that over 13% of private sector employees in the County work for nonprofits (©12-13). In addition, CASA noted that nonprofits help small business creation; for example, CASA has helped at least 22 immigrant and Latinx entrepreneurs to start small businesses in the County (©11).

DISCUSSION POINTS

The GO Committee might wish to consider the following questions regarding Bill 39-19.

1. Should nonprofit organizations be eligible to be certified as local small businesses?

As discussed above, the bill would make nonprofit entities eligible to participate in the LSBRP, thus expanding the pool of local small businesses under the program. Arguments in favor of including nonprofits in the program include:

- Expanding the pool of certified local small businesses would benefit County procurement by increasing competitiveness among bidders. As indicated in OLO Report 2019-9, the LSBRP is undersubscribed. While Montgomery County is home to over 30,000 small businesses (according to the Maryland Department of Commerce), only 1,067 small businesses were registered with the LSBRP as of 2018. *See* OLO Report at 9, 11.
- As a matter of equity, nonprofits should be included in the program.
- Like for-profit businesses, nonprofits grow the local economy through purchasing and job creation.

Local chambers of commerce, although supportive of the bill, have noted that nonprofits might have a competitive advantage over for-profits to the extent that the non-profits receive County grant funding. *See* Chamber of Commerce Testimony at ©17. It is difficult to generalize about a nonprofit or for-profit having a competitive advantage over the other in a particular procurement. The Committee might wish to ask the Office of Procurement to comment upon the issue of competitive advantages among nonprofit and for-profit businesses.

2. Should the LSBRP Goal of 20% be increased to 25%?

The purpose of the LSBRP program is to strengthen local businesses and the local economy, as well as to grow the tax base. Increasing the LSBRP goal from 20% to 25% should further the goals of strengthening local businesses and the economy.

As shown in the following chart, the County has exceeded the 20% goal for the last several years. Thus, a 25% goal would appear to be reasonable and achievable.

| Fiscal Year | Percent of Eligible Procurements Awarded to LSBRP-Registered Businesses |
|-------------|---|
| FY11 | 20% |
| FY12 | 24% |
| FY13 | 25% |
| FY14 | 25% |
| FY15 | 24% |
| FY16 | 24% |
| FY17 | 25% |
| FY18 | 27% |

3. Should agencies have a goal to award 50% of direct purchases to local small businesses?

The OLO has recommended prioritizing the award of small, direct purchases (of less than \$10,000) to local small businesses as a way of expanding the pool of certified local small businesses. *See* OLO Report 2019-9 at ii. The 50% goal under the bill would be consistent with OLO’s recommendation.

A potential downside to the 50% goal would be that it might slow down agency purchasing by creating an additional administrative hurdle to small procurements. However, the Office of Procurement has stated that it already has administrative processes in place to facilitate making direct purchases from local small businesses.

In particular, Chief Administrative Officer Andrew Kleine reported that “in 2017, the Office of Procurement worked with Finance and added a pop-up window on the [direct purchase order] screen in Oracle to link users to the Central Vendor Registration System (CVRS) to encourage utilization of local, small vendors.” *See* OLO Report 2019-9 at 47. Moreover, Executive regulations regarding direct purchases of under \$10,000 state that: “Procurements with MFD and LSBRP firms are encouraged.” COMCOR 11B.00.01.04.

The Committee might wish to ask the Office of Procurement to comment further upon how it would facilitate reaching the 50% goal.

4. Technical amendments.

The Office of the County Attorney (OCA) has noted two aspects of the bill that would benefit from clarifying amendments. First, OCA noted that the bill defines “direct purchase” even though Executive regulations already define “direct purchase.” These multiple definitions for the same term might create confusion. Accordingly, the Committee might wish to strike the current definition of “direct purchase” under the bill (lines 4-7) and replace it with:

Direct purchase means an informal solicitation defined by regulation under Section 11B-13.

This amendment would make the definition of “direct purchase” consistent with the regulatory definition. Under County regulations, a “direct purchase” is defined as “an informal procurement of construction, goods or services with a total value of no more than \$10,000.” COMCOR 11B.00.01.04.

Second, OCA has noted that it is unclear under the text of the bill whether the 50% goal for direct purchases is separate from, or included within, the overall 25% LSBRP goal. To clarify that the 25% goal includes direct purchases, the Committee might wish to amend lines 23-26 to read:

- (1) Subject to method 2 regulations, [A] a using department’s procurement procedures must award a minimum of [20] 25 percent of the using department’s combined dollar value of contracts issued for goods, services, or construction, including direct purchases, to local small businesses[, subject to method 2 regulations].

NEXT STEPS

The issue before the GO Committee is whether to recommend approval of Bill 39-19 to the full Council. The bill text is enclosed at ©1-3.

If the Committee votes to recommend approval of the bill, staff recommends also adopting the clarifying amendments discussed under discussion point #4 of this memorandum.

| | |
|--------------------------------------|-----------------|
| This packet contains: | <u>Circle #</u> |
| Bill 39-19 | 1 |
| Legislative Request Report | 4 |
| Fiscal and Economic Impact statement | 5 |
| Testimony | 10 |

Bill No. 39-19
Concerning: Contracts and Procurement
- Local Small Business Reserve
Program (LSBRP) - Amendments
Revised: 11/25/2019 Draft No. 6
Introduced: December 3, 2019
Expires: June 3, 2021
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Jawando
Co-Sponsors: Councilmembers Rice, Navarro, Riemer, Alborno, Glass, Council Vice-President
Hucker and Council President Katz

AN ACT to:

- (1) define a direct purchase;
- (2) alter the definition of a local small business to permit the participation of non-profit organizations;
- (3) increase the minimum percentage of contracts that must be awarded to small businesses;
- (4) establish a goal to award certain direct purchases to local small businesses;
- (5) alter reporting requirements; and
- (6) generally amend the Local Small Business Reserve Program.

By amending

Montgomery County Code
Chapter 11B, Contracts and Procurement
Sections 11B-65, 11B-66, and 11B-69

| | |
|------------------------------|--|
| Boldface | <i>Heading or defined term.</i> |
| <u>Underlining</u> | <i>Added to existing law by original bill.</i> |
| [Single boldface brackets] | <i>Deleted from existing law by original bill.</i> |
| <u>Double underlining</u> | <i>Added by amendment.</i> |
| [[Double boldface brackets]] | <i>Deleted from existing law or the bill by amendment.</i> |
| * * * | <i>Existing law unaffected by bill.</i> |

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 11B-65, 11B-66, and 11B-69 are amended as follows:

11B-65. Definitions.

In this Article the following words have the meanings indicated.

(a) Direct purchase means a non-competitive procurement of construction, goods, or services with a total value of no more than:

- (1) \$10,000; or
- (2) a higher dollar amount adopted under method 2 regulations.

[(a)] (b) Local Small Business means a for-profit business[,] or non-profit entity, other than a broker, that:

- (1) has its principal place of business or non-profit operations in the County;
- (2) in the case of a for-profit business, is independently owned and operated;
- (3) is not a subsidiary of another business or entity; and
- (4) meets criteria, size limits, and gross sales amounts established by method 2 regulations.

[(b)] (c) Local Small Business Reserve means any procurement that is limited to responses from local small businesses.

* * *

11B-66. Local Small Business Reserve Program.

* * *

(b) Minimum Requirements.

- (1) A using department's procurement procedures must award a minimum of [20] 25 percent of the using department's combined dollar value of contracts issued for goods, services, or construction to local small businesses, subject to method 2 regulations.

LEGISLATIVE REQUEST REPORT

Bill 39-19

Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Amendments

DESCRIPTION: Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Amendments

PROBLEM: Increase opportunities for local small businesses in the County.

GOALS AND OBJECTIVES: Bill 39-19 would permit the participation of non-profit organizations in the program; increase the minimum percentage of contracts that must be awarded to small businesses; establish a goal to award certain direct purchases to local small businesses; and alter reporting requirements.

COORDINATION: Office of Procurement

FISCAL IMPACT: OMB

ECONOMIC IMPACT: Department of Finance

EVALUATION: To be done.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Christine M.H. Wellons, Legislative Attorney

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: N/A



ROCKVILLE, MARYLAND

MEMORANDUM

January 8, 2020

TO: Sidney Katz, President, County Council

FROM: Richard S. Madaleno, Director, Office of Management and Budget *RSM*
Michael Coveyou, Acting Director, Department of Finance *mgc*

SUBJECT: FEIS for Bill 39-19, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) - Amendments

Please find attached the Fiscal and Economic Impact Statements for the above-referenced legislation.

RSM:cm

c: Andrew Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Caroline Sturgis, Assistant Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Lisa Austin, Office of the County Executive
Barry Hudson, Director, Public Information Office
Ash Shetty, Director, Office of Procurement
Rob Hagedoorn, Department of Finance
Dennis Hetman, Department of Finance
David Platt, Department of Finance
Monika Coble, Office of Management and Budget
Chrissy Mireles, Office of Management and Budget
Jane Mukira, Office of Management and Budget

Fiscal Impact Statement
Bill 39-19, Contracts and Procurement – Local Small Business
Reserve Program (LSBRP) - Amendments

1. Legislative Summary

Bill 39-19 amends the minimum requirements for the Small Business Reserve Program under Chapter 11B of the County Code as follows:

- 1) amends the definition of local small business;
- 2) permits the participation of non-profit organizations in the program;
- 3) increases the minimum percentage of contracts that must be awarded by using departments to local small businesses from 20 to 25 percent;
- 4) require an agency to establish a goal to award 50 percent of direct purchases to local small businesses; and
- 5) alters reporting requirements.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

Expedited Bill 39-19 is not expected to materially impact revenues and expenditures. There could be an increase in costs if local vendors are awarded contracts over less expensive non-local vendors. Conversely, revenues could increase from additional spending within the County.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

Expedited Bill 39-19 is not expected to impact revenues and expenditures over the next six fiscal years.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

The legislation is not expected to impact expenditures related to the County's IT or ERP systems.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable.

7. An estimate of the staff time needed to implement the bill.

Implementation of this legislation will not impact existing Office of Procurement staff; any workload impact on Procurement staff is expected to be minimal and can be absorbed by existing personnel.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable.

9. An estimate of costs when an additional appropriation is needed.

Not applicable.

10. A description of any variable that could affect revenue and cost estimates.

Not applicable.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

Implementation of this bill will not have a fiscal impact because the bill amends the existing Local Small Business Reserve Program and permits non-profit organizations to participate in the program.

13. Other fiscal impacts or comments.

None.

14. The following contributed to and concurred with this analysis:

Ash Shetty, Director, Office of Procurement

Pam Jones, Manager, Office of Procurement

Jane Mukira, Office of Department Management and Budget


Richard S. Madaleno, Director
Office of Management and Budget

1/7/20
Date

Economic Impact Statement
Bill 39-19, Contracts and Procurement – Local Small Business Reserve Program
(LSBRP) Amendments

Background:

This legislation would amend the Small Business Reserve Program. The proposed amendments:

- Permit the participation of non-profit organizations in the program;
- Increase the minimum percentage of contracts that must be awarded to small businesses; and
- Establish a goal to award certain direct purchases to local small businesses.

1. The sources of information, assumptions, and methodologies used.

The Office of Procurement (Procurement) provided information in the preparation of the economic impact statement (EIS). The Department of Finance (Finance) did not make assumptions nor used methodologies in the preparation of the EIS.

Bill 39-19 would redefine “local small business” to include for-profit business or *non-profit entity*. According to information provided by Procurement, this change would open the program to non-profit entities to participate in the Local Small Business Reserve Program (LSBRP). Such businesses usually respond to solicitations from the Department of Health and Human Services. Currently there are a small number of such solicitations annually, therefore, expanding the program could increase current participation by up-to ten non-profit organizations but could have a very modest impact on the County’s economy.

The proposed legislation would increase from 20 percent to 25 percent the amount of procurements that must be awarded by a “using department” to small businesses. A “using department” is defined in the County Code as any County department, office, or agency that utilizes any goods, services, or construction procured under Chapter 11B of the County Code. Based on data provided by Procurement the annual average LSBRP amount from FY2017 to FY2019 was nearly \$142.980 million. Increasing the eligibility to 25 percent could increase that amount by nearly \$7.150 million based on the three-year average between FY2017 to FY2019. The increase could have very modest impact on the County’s economy

Finally, Bill 39-19 would establish a goal that would award 50 percent of its direct purchases of \$10,000 or less to local small businesses. This requirement would apply to “using departments” and defined in the County Code. Finance obtains information when a supplier registers as an LSBRP and is incorporated in the Finance’s Vendor data base but does not include the amount of purchases nor payments. Therefore, it is uncertain without specificity of data what the impact on the County’s economy will be.

Economic Impact Statement
Bill 39-19, Contracts and Procurement – Local Small Business Reserve Program
(LSBRP) Amendments

2. A description of any variable that could affect the economic impact estimates.

The variables that could affect the economic impact of Bill 39-19 are the additional number of non-profit businesses, the amount of the increase in the number of contracts in the LSBRP from 20 percent to 25 percent, and the increase in the number of local small businesses receiving awards attributed to a target of 50 percent total direct purchases.

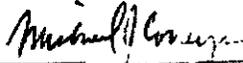
3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

Based on information provided by Procurement and discussed in paragraph 2, there could be a very modest positive economic effect on the County's employment and income to local small businesses.

4. If a Bill is likely to have no economic impact, why is that the case?

Please paragraphs 2 and 3.

5. The following contributed to or concurred with this analysis: David Platt and Rob Hagedoorn, Finance.



Michael Coveyou, Acting Director
Department of Finance

1/8/20

Date

11

TESTIMONY ON BEHALF OF THE COUNTY EXECUTIVE ON BILL 39-19,
LOCAL SMALL BUSINESS RESERVE PROGRAM AMENDMENTS

January 14, 2019

I am Ash Shetty, Director of the Office of Procurement. I am here on behalf of County Executive Marc Elrich to ask for the Council's favorable consideration of Bill 39-19 to amend the LSBRP Law.

Montgomery County has a robust, active and responsive small business community. Nearly 95% of resident businesses are considered small business. These businesses employ local residents, provide good jobs, and make real contributions to the local economy. It is clear that local small businesses have benefited from the LSBRP. The program is widely supported by local vendors, chambers of commerce, and County residents, because it provides fair yet active competition among local businesses to ensure the public benefits from best value for the dollar spent under county contracts. In addition, the LSBRP provides an economic opportunity that every local small business can benefit from now and in the future. This investment back into the local economy, certainly a help in difficult times, addresses an ongoing need for every small business struggling to get a foot-hold in the marketplace, and provides an equally ongoing benefit to the County.

Bill 39-19 is intended to expand LSBRP opportunities to non-profit entities. Previously, LSBRP solicitations were reserved for only for-profit entities. Hence, non-profit organizations were not able to participate in LSBRP reserved solicitations. This amendment will open up more county funded contracts to non-profit entities. This will also increase the eligible vendor pool and allow local vendors (for-profit and non-profit) to benefit from the LSBRP program, and therefore increase the County's LSBRP contracting volume.

Another amendment is to increase the LSBRP contracting goal from 20% to 25%. According to the County's procurement report, the LSBRP spending has been exceeding the 20% for the last several years. An increased goal would incentivize using departments to reserve more contracting opportunities for local and small vendors.

Further, in order to encourage more purchasing with local small businesses, in response to feedback and input from the business community, Bill 39-19 establishes a 50% goal to award certain direct purchases (purchases less than \$10K) to local small businesses.

Bill 39-19 is one of the many efforts that the County is making based on business community feedback to enhance our existing compliance programs and procurement procedures. County Executive Elrich believes that passage of this Bill will help us to better serve our business community.

Thank you for the opportunity to testify today.



**Testimony of Franca Brilliant
Senior Development Director, CASA
Montgomery County Council Public Hearing
Bill 39-19 Contracts and Procurement
Local Small Business Reserve Program
January 14, 2020**

My name is Franca Brilliant and I am here representing CASA, the pre-eminent immigrant rights and advocacy organization in the Mid-Atlantic. We have been providing services in Montgomery County for over 30 years and are grateful for the Council’s longstanding support of our low income, immigrant, and Latino communities. We appreciate this opportunity to testify in support of Council Member Jawando’s bill to amend the Local Small Business Reserve Program, Bill 39-19.

The 5,356 nonprofits in Montgomery County contribute to our community’s health and wellbeing by providing a wide array of services. What is less obvious is the contribution they make to the local economy. As Council Member Jawando noted in his remarks introducing this bill, nonprofits employ over 44,500 people in Montgomery County or roughly 10% of the workforce.

Nonprofits in Montgomery County have impressive purchasing power, with over \$7.6 billion in expenditures. Nonprofits also directly help create small businesses. With support from the County, CASA helped 22 immigrant and Latinx entrepreneurs create businesses in Montgomery County last year, mainly in the Long Branch neighborhood. Those entrepreneurs increased their hourly wages from \$14 to \$25 - \$30 per hour.

CASA supports Bill 39-19 and appreciates the Council’s commitment to expanding the Local Small Business Reserve Program to include nonprofits. This amendment allows nonprofits to compete for County procurements on the same basis as small businesses. Nonprofits have deep knowledge of their communities and extensive networks which enable them to be especially effective at providing certain kinds of services. It is beneficial to the County and its residents for them to have equal access to procurements through the Local Small Business Reserve Program. CASA encourages the County to similarly expand other procurement processes to include nonprofit organizations.

Thank you again for this opportunity to testify. We look forward to continuing to work with the Council to better the lives of all residents of Montgomery County.



Montgomery County Council Bill 39-19 Contracts and Procurement – Local Small Business Reserve Program (LSBRP) - Amendments

Tuesday, January 13, 2020

Submitted by: Lesley MacDonald for Nonprofit Montgomery

Thank you for the opportunity to testify on behalf of Nonprofit Montgomery. Nonprofit Montgomery is an alliance of over 170 nonprofit organizations that provide services in Montgomery County. We strengthen the nonprofit sector through leadership and capacity building programs, advocate for nonprofits and the people they serve, and address community challenges through Montgomery Moving Forward.

Nonprofit Montgomery supports Bill 36-19, the proposed amendments to the Local Small Business Reserve Program.

In particular, we support the proposal to open the program to nonprofit organizations that meet the criteria for local small businesses.

Nonprofits are an important part of the local economy. Like for profits, nonprofits provide jobs, purchase supplies, rent office space, have accounts at local banks, purchase insurance and accounting support and generally contribute to the local economy.

In 2017, nonprofit 501c3 organizations employed 48,839 individuals in Montgomery County. This means that **13% of the private sector employees in the county** work in nonprofit organizations.

Most local nonprofits would qualify as small businesses under this program. Of the 5,368 nonprofits in Montgomery County reporting revenue in 2018, **96% have revenue under \$5 million.**

Nonprofits operate efficiently, make the most of their resources and must balance their budgets to be sustainable. Like for profit businesses, nonprofits exist to solve a problem and create value. In the case of nonprofits, that value is alleviating suffering or addressing a community issue, such as hunger or homelessness. Given the important contributions that

nonprofits make to the quality of life in Montgomery County, it would be unjust and unfair to treat nonprofits differently in the small business reserve program.

Thank you for valuing nonprofits in Montgomery County by providing equal opportunity to participate in the LSBRP.

Lesley J MacDonald, MSW
Executive Director
Nonprofit Montgomery
lesley@nonprofitmoco.org
301 943-6583



13

January 14, 2020

Council President
100 Maryland Avenue
Rockville, MD 20850

Reference: Montgomery County Council Public Hearing: Bill 39-19, Local Small Business Reserve Program (LSBRP) and Direct Purchase Enhancement Act

Good Afternoon,

My name is Ken O'Connell and I am here today representing the Montgomery County Small Business Association. First, I want to thank the entire Council and Councilmember Jawando for advancing Bill 39-19 to this stage and allowing me the opportunity to speak to you.

I am here today as the President of the Montgomery County Small Business Association. "The Montgomery County Small Business Association's mission is to enhance, support, promote and sustain local small business" here in Montgomery County. One focus has been on procurement by Montgomery County Government.

I am proud to say that I am a life-long resident of Montgomery County. I am also proud to say that this year marks my company's 25th year in business – the entirety of this 25 years as a Montgomery County Small Business.

I live here, I work here, and I pay taxes here. My company, O'Connell & Lawrence has been here for 25 years, and it pays taxes here. My employees vote in Montgomery County and I vote in every election.

Bill 39-19 would amend the Small Business Reserve Program to:

1. Permit the participation of non-profit organizations in the program;
2. Increase the minimum percentages of contracts that must be awarded to local small businesses;
3. establish a goal to award certain direct purchases to local small businesses; and
4. alter reporting requirements.

I want to focus for a minute on some irrefutable facts.

Fact: Over 95% of businesses in Montgomery County are small businesses (employ less than 50 employees).

Fact: Small businesses are important to Montgomery County's economy.

Fact: Keeping more County business in the County, is a good thing for all of the citizens of Montgomery County.

Here's what you, the Montgomery County Council CAN DO and should do:

- help Montgomery County Small Businesses
- help Montgomery County Small Businesses compete for Montgomery County Government Contracts
- increase the proportion of Montgomery County tax dollars that remain here in Montgomery County

There is no legitimate argument (policy, legal, statistical or otherwise) that this legislation is not good for Montgomery County.

I support Bill 39-19, Contracts and Procurement - Local Small Business Reserve Program (LSBRP) -- Amendments because:

- It is good for Montgomery County businesses
- It is good for Montgomery County tax payers
- It is good for the Montgomery County tax base

Listen to Montgomery County Small Business owners, and pass this legislation please.

Thank you for your time,



Kenneth J. O'Connell, Ph.D., P.E., President
Montgomery County Small Business Association
<https://montcosba.com/>



14

January 14, 2020

Good afternoon Councilmembers,

I'm Kim Jones, the Executive Director of the Nonprofit Village, the county's incubator and shared space for nonprofits. Through our educational and operational support programs, we broaden the capacity of nonprofit businesses to ensure they possess the knowledge and business practices needed to be sustainable and increase impact in the community. Our programs serve almost 300 organizations each year.

On behalf of hundreds of nonprofits in the County, I want to thank Councilmember Jawando and the supporting Councilmembers for their recognition of charitable organizations as small businesses. At the Village we work hard to ensure nonprofits understand their role as a business is equally as important as their mission to serve.

We also understand that not all opportunities under this expansion of the Local Small Business Reserve Program and Direct Purchase program will be relevant to the nonprofit sector. The effort to increase the threshold to 25% and build more awareness of the opportunities among nonprofits and minority businesses will be important to the success and accountability in awarding contracts. The increased awareness among county agencies will show that nonprofits offer skills and services, such as training or consulting, that will be valuable to numerous County agencies.

I want to encourage you to note that nonprofits would benefit from expanding eligibility of the MOVE program as well. As we graduate nonprofits into their own commercial space, we know that being able to take advantage of the MOVE (Make Office Vacancy Extinct) Program designed to assist businesses lease space with a subsidy of up to \$80,000 can help fill some of the empty office space in the county. We have attracted nonprofit members from DC, Virginia, Prince Georges County and Baltimore. Because of the needs of a large jurisdiction like Montgomery County there is room for more services and collaborations to fill gaps. Currently, any business working in a co-working space or incubator in County qualifies for MOVE grants. Incorporating nonprofits into MOVE also increases impact, helps nonprofits save money, and helps commercial landlords fill some of their empty space.

I am confident that our partnership with MCEDC, particularly their work in helping nonprofits create business plans in addition to strategic plans, along with the programs proposed by Councilmember Jawando are the right step in advancing nonprofit businesses and ensuring more opportunities for them to remain viable and sustainable.

Thank you for your continued support of the sector by focusing on expanding nonprofit businesses.

Kim Jones
Executive Director
kjones@thenonprofitvillage.org

15800 Crabbs Branch Way, Suite 300
Rockville, MD 20855
301-230-0111
www.thenonprofitvillage.org

16



Bill 39-19 - Contracts and Procurement - Local Small Business Reserve Program (LSBRP) - Amendments

Public Hearing
January 14, 2019

SUPPORT

On behalf of the Montgomery County Chamber of Commerce, the Greater Bethesda Chamber of Commerce, the Gaithersburg-Germantown Chamber of Commerce, and the Greater Silver Spring Chamber of Commerce and the thousands of employers and employees our organizations represent, we **jointly support Bill 39-19 - Contracts and Procurement - Local Small Business Reserve Program (LSBRP) - Amendments.**

Bill 39-19 has four main components: amend the Local Small Business Reserve Program by allowing non-profits to qualify; amend the LSBRP to increase the percentage from 20% to 25% of Department Contracts; create a goal of 50% for direct purchases and contracts for all Montgomery County Departments; and create a sunshine provision around the direct purchases, where the Office of Procurement would create a report card for meeting the 50% goal.

Since 2010, the County Government has met or exceeded the current goal of 20% of eligible contract dollars to LSBRP-registered businesses. Last year, the Montgomery County Office of Procurement reported that the LSBRP set a new, record high of spending – 26.8% of eligible contracts or \$115 million in fiscal year 2018 (FY18). Raising the goal, and further investment in our small businesses, strengthens the local economy. Continuing, by both prioritizing and setting a goal for purchases under \$10,000, additional opportunities are afforded to local businesses.

While our Chambers support the broad concept of nonprofits participation in this program, we have the following potential concerns that should be discussed during the PHED Committee’s work session on this legislation.

- Nonprofits that receive significant operational funding from the county have a competitive advantage over private companies not receiving County funds. As such, is there an eligibility threshold as to total amount and/or percentage of County funds received?
- If nonprofits are eligible for procurement contracts, what differentiates a County grant from a procurement contract? What types of goods and services would a nonprofit offer to the County, that is outside the County grant process?

For the aforementioned reasons, our Chambers jointly support **Bill 34-10** and urge a favorable report. Thank you for your consideration.