



Committee: GO
Committee Review: At a future date
Staff: Khandikile Sokoni, Legislative Attorney
Purpose: To receive testimony – no vote expected

AGENDA ITEM #2
June 18, 2024
Public Hearing

SUBJECT

Bill 10-24; Contracts and Procurement- Local Small Business Reserve Program (LSBRP) – Veteran-Owned Business Preference Points

Lead Sponsor: Council President at the request of the County Executive

Cosponsors: Councilmembers Fani-González and Katz

EXPECTED ATTENDEES

Members of the public.

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A; to receive testimony

DESCRIPTION/ISSUE

Bill 10-24 would:

- (1) implement Veteran-Owned Business Preference Points under the Local Small Business Reserve Program;
- (2) outline the eligibility criteria for the Veteran-Owned Business Preference Points under the Local Small Business Reserve Program; and
- (3) generally amend the law regarding contracts and procurement.

SUMMARY OF KEY DISCUSSION POINTS: N/A

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MEMORANDUM

June 13, 2024

TO: County Council

FROM: Khandikile Mvunga Sokoni, Legislative Attorney

SUBJECT: Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program – Veteran Owned Business Preference Points – Established

PURPOSE: Public Hearing

Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program – Veteran Owned Business Preference Points – Established, sponsored by Council President Friedson at the request of the Council Executive and co-sponsored by Councilmembers Fani-González and Katz, was introduced on April 16, 2024. A public hearing is scheduled for June 18, 2024 before the Council. A worksession before the Government Operations and Fiscal Policy (GO) Committee is tentatively scheduled for July 11, 2024.

BACKGROUND AND BILL SPECIFICS

Bill 10-24 seeks to establish a preference points system in the County’s procurement program, in favor of local small businesses owned by veterans that meet certain criteria. According to the County Executive, Bill 10-24 seeks to enable veteran-owned local small businesses to gain access to more County procurement opportunities by awarding preference points of five percent to certified veteran-owned local small businesses that submit a proposal to a County request for proposals (RFP). To be eligible for these points a small business must have a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs.

A copy of the County Executive’s memo outlining the program and requesting the bill is attached.

<u>This packet contains:</u>	<u>Circle #</u>
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County Executive Memorandum	© 4
Fiscal Impact Statement	© 5
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Economic Impact Statement	© 10
Racial Equity and Social Justice (RESJ) Impact Statement	© 14

Bill No. 10-24
Concerning: Contracts and Procurement-
Local Small Business Reserve
Program (LSBRP) – Veteran-Owned
Business Preference Points
Revised: April 16, 2024 Draft No. 2
Introduced: April 16, 2024
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the request of the County Executive
Co-sponsors: Councilmembers Fani-González and Katz

AN ACT to:

- (1) implement Veteran-Owned Business Preference Points under the Local Small Business Reserve Program;
- (2) outline the eligibility criteria for the Veteran-Owned Business Preference Points under the Local Small Business Reserve Program; and
- (3) generally amend the law regarding contracts and procurement.

By amending

Montgomery County Code
Chapter 11B, Contracts and Procurement Section 11B-65

By adding

Montgomery County Code
Chapter 11B, Contracts and Procurement Section 11B-66A

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. Section 11B-65 is amended as follows:

Sec. 11B-65. Definitions.

In this Article the following words have the meanings indicated.

Director is the Director of Procurement.

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

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.

Local Small Business Reserve means any procurement that is limited to responses from local small businesses.

Veteran-Owned Local Small Business means a Local Small Business that is at least 51 percent owned by one or more individuals who:

- (a) are verified as having served on active duty in the armed forces of the United States, other than for training. and were discharged or released under conditions other than dishonorable; and
- (b) control the management and daily operations of the business.

Sec. 11B-66. Local Small Business Reserve Program.

* * *

Sec. 2. Section 11B-66A is added as follows:

Sec. 11B-66A. Local Small Business Reserve Program – Veteran-Owned Preference Points

- (a) Established. There is established a Veteran-Owned Local Small Business preference points program for County procurements.
- (b) Eligibility. To be eligible for Veteran-Owned Local Small Business preference points, a business must affirm and provide supporting documentation to the Director to show that it is a Veteran-Owned Local Small Business as defined in Section 11B-65. The Director may investigate and verify the information provided on the application, as necessary.
- (c) Certification. Veteran-Owned Local Small Business preference points must only be applied to a Local Small Business that has a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs' Center for Verification and Evaluation.
- (d) Application of Preference Points to competitive sealed proposals. For any Request for proposals issued under Section 11B-10 that has been designated for a Local Small Business Reserve, the Director must include an evaluation factor awarding additional points for a proposal from a Veteran-Owned Local Small Business worth five percent of the total available points.
- (e) Waiver. The Director may waive a bid or proposal preference under this Section in a solicitation if the Director finds that a preference would result in the loss to the County of Federal or State funds.



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 8, 2024

TO: Andrew Friedson, President
Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: Bill xx-24, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran Owned Business Preference Points.

I am transmitting Bill xx-24, Veteran-Owned Business preference points. This Bill amends the Local Small Business Reserve Loan Program (LSBRP) to favorably consider Federal Veteran Affairs/Small Business Administration certified veteran-owned businesses when participating in the County's Procurement process.

This Bill will enable veteran-owned local small businesses to gain access to more county procurement opportunities. Under the Bill, preference points of five percent will be awarded to certified veteran-owned local small businesses that submit a proposal to a County RFP. To be eligible for these points, a small business must have a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs.

I appreciate your prompt consideration of this action.

Enclosure: Bill xx-24 LSBRP Amendments - Veteran-Owned Business Preference Points

cc: Dale Tibbitts, Special Assistant to the County Executive
Ash Shetty, Director, Office of Procurement
Grace Denno, Division Chief, Office of Procurement

Fiscal Impact Statement

Office of Management and Budget

Bill XX-24

Contracts and Procurement - Local Small Business Reserve Program (LSBRP) - Veteran-Owned Business Preference Points

Bill Summary

This bill amends the Local Small Business Reserve Loan Program (LSBRP) to favorably consider Federal Veteran Affairs/Small Business Administration certified veteran-owned businesses when participating in the County's Procurement process. It requires that five percentage preference points be provided to a certified veteran-owned local small business when the selection team is evaluating the business' proposal for a contract award under LSBRP.

Fiscal Impact Summary

The bill is not expected to impact County expenditures or revenues.

Fiscal Year	0	0	0	0	0	0	Total
Personnel Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Impact	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00	

Fiscal Impact Analysis

Adding preference points to competitive sealed proposals for veteran-owned local small businesses is not expected to impact County revenues or expenditures.

Staff Impact

The bill is not expected to impact staff time or duties.

Actuarial Analysis

The bill is not expected to impact retiree pension or group insurance costs.

Information Technology Impact

The bill is not expected to impact the County Information Technology (IT) or Enterprise Resource Planning (ERP) systems in terms of cost. A new section on Veteran-Owned Local Small Businesses will be added to the LSBRP annual report in the ERP system. This action can be completed by utilizing the existing ERP staff and resources.

Other Information

Later actions that may impact revenue or expenditures if future spending is projected

The bill does not authorize future spending.

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

This five percent increase in evaluation scores will result in boosting a veteran-owned local small business' proposal to receive preferences for a contract award. These preference points do not guarantee the business will win the contract award, nor does it result in an increase in the contract award value. In the event a veteran-owned local small business is awarded the contract, the final cost/pricing may not have been the



lowest cost bid.

Sources of information

Office of Procurement

Contributors

Ash Shetty, Director, Office of Procurement

Grace Denno, Division Chief, Office of Procurement

Mahnior Anjum, Fiscal and Policy Analyst, Office of Management and Budget



Climate Assessment

Office of Legislative Oversight

Bill 10-24: Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran – Owned Business Preference Points

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 10-24 will have no impact on the County's contribution to addressing climate change as it proposes changes to an existing County procurement program.

BACKGROUND AND PURPOSE OF BILL 10-24

The County's Local Small Business Reserve Program (LSBRP) is one of three programs administered by the Montgomery County Office of Procurement that provide opportunities for local and small vendors to compete for contracting dollars with the County.¹ LSBRP "ensures that County departments award 25 percent (with specified exceptions) of their procurements for goods, services and construction to registered and certified local, small businesses."^{2,3} In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.⁴

The goal of Bill 10-24 is to help veteran-owned local small businesses access more County procurement opportunities.⁵ The Bill attempts to do this by establishing a Veteran-Owned Local Small Business Preference Points under the LSBRP.

Under this program, veteran-owned local small businesses that submit proposals for County contracts would be awarded preference points of five percent. The Bill defines a "veteran-owned local small business" as:

"a Local Small Business [as defined under County law] that is at least 51 percent owned by one or more individuals who: (a) are verified as having served on active duty in the armed forces of the United States, other than for training, and were discharged or released under conditions other than dishonorable; and (b) control the management and daily operations of the business."⁶

To be eligible, a business must provide the County with a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs.⁷

The Council on behalf of the County Executive introduced Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran-Owned Business Preference Points on April 16, 2024.

ANTICIPATED IMPACTS

As the Bill proposes changes to an existing County procurement program, OLO anticipates Bill 10-24 will have no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.⁸ OLO does not offer recommendations or amendments as Bill 10-24 is likely to have no impact on the County's contribution to addressing climate change, including the reduction and/or sequestration of greenhouse gas emissions, community resilience, and adaptative capacity.

CAVEATS

OLO notes two caveats to this climate assessment. First, predicting the impacts of legislation upon climate change is a challenging analytical endeavor due to data limitations, uncertainty, and the broad, global nature of climate change. Second, the analysis performed here is intended to inform the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

PURPOSE OF CLIMATE ASSESSMENTS

The purpose of the Climate Assessments is to evaluate the anticipated impact of legislation on the County's contribution to addressing climate change. These climate assessments will provide the Council with a more thorough understanding of the potential climate impacts and implications of proposed legislation, at the County level. The scope of the Climate Assessments is limited to the County's contribution to addressing climate change, specifically upon the County's contribution to greenhouse gas emissions and how actions suggested by legislation could help improve the County's adaptative capacity to climate change, and therefore, increase community resilience.

While co-benefits such as health and cost savings may be discussed, the focus is on how proposed County bills may impact GHG emissions and community resilience.

CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

¹ “FY23 Local Business Programs Annual Report” (Office of Procurement, Montgomery County Government, n.d.), <https://www.montgomerycountymd.gov/PRO/Resources/Files/Reports/FY23%20Local%20Business%20Programs%20Annual%20Report.pdf>

² “Local Small Business Reserve Program (LSBRP),” Local Small Business Reserve Program, Montgomery County Office of Procurement, Montgomery County, MD, accessed October 11, 2023, <https://www.montgomerycountymd.gov/PRO/DBRC/lsbrp.html>

³ In County law, a “local small business” is “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.” Montgomery County Code, “Article XV. Local Small Business Reserve Program.” https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-123732.

⁴ “FY23 Local Business Programs Annual Report.”

⁵ “Introduction Staff Report on Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program – Veteran Owned Business Preference Points – Established” (Montgomery County Council, April 16, 2024), https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2834_1_25601_Bill_10-2024_Introduction_20240416.pdf.

⁶ Ibid.

⁷ Ibid.

⁸ Bill 3-22, Legislative Branch – Climate Assessments – Required, Montgomery County Council, Effective date October 24, 2022

Economic Impact Statement

Montgomery County, Maryland

Bill 10-24 Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran-Owned Business Preference Points

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 10-24 would have an overall neutral impact on economic conditions in the County in terms of the Council's priority economic indicators. By establishing a Veteran-Owned Local Small Business preference points program under the County's Local Small Business Reserve Program, the change in law likely would increase County contracts to local veteran-owned businesses. These businesses likely would experience higher incomes. However, the Bill would not increase total program spending for local businesses. As a result, certain non-veteran-owned local businesses that otherwise would receive County contracts would likely not receive them. These businesses may experience a loss of income. Thus, OLO expects the benefits to veteran-owned businesses to be offset by other local businesses that do not receive County contracts.

However, it is worth noting that the Bill could have a positive economic impact if it encourages more local veteran-owned businesses to submit proposals for County solicitations. This may prevent the County from re-issuing solicitations due to lack of qualified proposals from local businesses. If this occurs, the change in law would increase the total number of County contracts being awarded to local businesses.

BACKGROUND AND PURPOSE OF BILL 10-24

The Local Small Business Reserve Program (LSBRP) is one of three programs administered by the Montgomery County Office of Procurement that provide opportunities for local and small vendors to compete for contracting dollars with the County.¹ LSBRP "ensures that County departments award 25 percent (with specified exceptions) of their procurements for goods, services and construction to registered and certified local, small businesses."^{2,3} In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.⁴

¹ "FY23 Local Business Programs Annual Report."

² "Local Small Business Reserve Program (LSBRP)."

³ In County law, a "local small business" is "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." Montgomery County Code, Article XV. Local Small Business Reserve Program.

⁴ "FY23 Local Business Programs Annual Report."

The goal of Bill 10-24 is to help veteran-owned local small businesses access more County procurement opportunities.⁵ The Bill attempts to do this by establishing a Veteran-Owned Local Small Business preference points program under the LSBRP.

Under this program, veteran-owned local small businesses that submit proposals for County contracts would be awarded preference points of five percent. The Bill defines a “veteran-owned local small business” as:

a Local Small Business [as defined under County law] that is at least 51 percent owned by one or more individuals who: (a) are verified as having served on active duty in the armed forces of the United States, other than for training, and were discharged or released under conditions other than dishonorable; and (b) control the management and daily operations of the business.⁶

To be eligible, a business must provide the County with a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs.⁷

Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran-Owned Business Preference Points was introduced by the Council at the request of the County Executive on April 16, 2024.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 10-24 on residents and private organizations in terms of the Council’s priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁸

This analysis relies primarily on the following sources of information:

- OLO correspondence with staff from the Office of Procurement
- County’s website on LSBRP

To determine the economic impacts of the Bill, OLO investigated whether the change in law would increase the total amount of LSBRP spending for local businesses.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 10-24 and the following:

- Total LSBRP spending for local businesses; and
- Total number of local business applicants.

⁵ “Introduction Staff Report on Bill 10-24.”

⁶ “Introduction Staff Report on Bill 10-24.”

⁷ “Introduction Staff Report on Bill 10-24.”

⁸ Montgomery County Code, Sec. 2-81B, Economic Impact Statements.

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 10-24 would have a neutral impact on certain private organizations in the County in terms of the Council's priority economic indicators.

By establishing a Veteran-Owned Local Small Business preference points program under the LSBRP, the Bill likely would increase County contracts to local veteran-owned businesses. These businesses likely would experience higher incomes.

Staff from the Office of Procurement informed OLO that the Bill would not increase total LSBRP spending for local businesses. For this reason, certain non-veteran-owned local businesses that otherwise would receive County contracts would likely not receive them. These businesses likely would experience a loss of income.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Residents

OLO anticipates that enacting Bill 10-24 would have insignificant impacts on certain residents in the County in terms of the Council's priority economic indicators.

Net Impact

OLO anticipates that Bill 10-24 would have an overall neutral impact on economic conditions in the County in terms of the Council's priority economic indicators. By establishing a Veteran-Owned Local Small Business preference points program under the LSBRP, the change in law likely would increase County contracts to local veteran-owned businesses. These businesses likely would experience higher incomes. However, the Bill would not increase total program spending for local businesses. As a result, certain non-veteran-owned local businesses that otherwise would receive County contracts would likely not receive them. These businesses likely would experience a loss of income. Thus, OLO expects the benefits to veteran-owned businesses to be offset by other local businesses that do not receive County contracts.

However, it is worth noting that the Bill could have a positive economic impact if it encourages more local veteran-owned businesses to submit proposals for County solicitations. This may prevent the County from re-issuing solicitations due to lack of qualified proposals from local businesses. If this occurs, the change in law would increase the total number of County contracts being awarded to local businesses.

DISCUSSION ITEMS

Not applicable

WORKS CITED

[“FY23 Local Business Programs Annual Report.”](#) Office of Procurement, Montgomery County Government.

[“Introduction Staff Report on Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program – Veteran Owned Business Preference Points – Established.”](#) Montgomery County Council, April 16, 2024.

[Local Small Business Reserve Program](#), Montgomery County Office of Procurement, Montgomery County, MD. “Local Small Business Reserve Program (LSBRP).” Accessed October 11, 2023.

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements](#).

Montgomery County Code. [Article XV. Local Small Business Reserve Program](#).

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the Bill under consideration.

AUTHOR

Stephen Roblin (OLO) prepared this report.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 10-24: CONTRACTS AND PROCUREMENT – LOCAL SMALL BUSINESS RESERVE PROGRAM (LSBRP) – VETERAN-OWNED BUSINESS PREFERENCE POINTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 10-24 will have a negative impact on racial equity and social justice (RESJ) in the County. Assuming the demographics of veteran-owned businesses in the DC metro area aligns with the demographics of veteran-owned business in the County, Bill 10-24 would provide an advantage in securing County procurement opportunities to veteran-owned businesses that are disproportionately White. This could worsen existing racial disparities in local business revenues by increasing revenues for White-owned firms. OLO offers one policy option for Council consideration.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social inequities that have caused racial and social disparities.²

PURPOSE OF BILL 10-24

The County's Local Small Business Reserve Program (LSBRP) is one of three programs administered by the Montgomery County Office of Procurement that provide opportunities for local and small vendors to compete for contracting dollars with the County.³ LSBRP "ensures that County departments award 25 percent (with specified exceptions) of their procurements for goods, services and construction to registered and certified local, small businesses."^{4,5} In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.⁶

The goal of Bill 10-24 is to help veteran-owned local small businesses access more County procurement opportunities.⁷ The Bill attempts to do this by establishing a Veteran-Owned Local Small Business preference points program under LSBRP.

Under this program, veteran-owned local small businesses that submit proposals for County contracts would be awarded preference points of five percent. The Bill defines a "veteran-owned local small business" as:

"a Local Small Business [as defined under County law] that is at least 51 percent owned by one or more individuals who: (a) are verified as having served on active duty in the armed forces of the United States, other than for training, and were discharged or released under conditions other than dishonorable; and (b) control the management and daily operations of the business."⁸

May 3, 2024

RESJ Impact Statement

Bill 10-24

To be eligible, a business must provide the County with a valid Veteran-Owned Small Business (VOSB) or Service-Disabled Veteran-Owned Small Businesses (SDVOSB) certificate from the U.S. Small Business Administration or the U.S. Department of Veterans Affairs.⁹

The Council introduced Bill 10-24, Contracts and Procurement – Local Small Business Reserve Program (LSBRP) – Veteran-Owned Business Preference Points, on April 16, 2024.

This RESJIS builds on the RESJISs for:

- Expedited Bill 37-23, Contracts and Procurement – Minority Owned Businesses – Sunset Date – Amendments;¹⁰ and
- Bill 6-24, Property Tax Credit – Disabled Veterans.¹¹

Please refer to these RESJISs for background on business ownership, military service, and racial equity.

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 10-24 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

For the first question, OLO considered the demographics of veteran-owned small businesses since Bill 10-24 could help them access more procurement opportunities with the County. Table 1 summarizes Census estimates of veteran-owned businesses with employees in the DC metro area by minority business classification. Firms that are any race and ethnicity combination other than White, non-Latinx are classified as minority firms, while White, non-Latinx firms are classified as non-minority firms.¹² This data suggests that White people are overrepresented among veteran-owned businesses compared to their share of business ownership in the DC metro area. Conversely, BIPOC are underrepresented among veteran-owned businesses.

Table 1: Veteran-Owned Businesses by Minority Business Classification, Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area

Minority Business Classification	% DC Metro Area Veteran-Owned Businesses	% DC Metro Area Business Owners (All Sectors, NAICS 00)
Minority	21.6	32.6
Non-Minority	77.8	59.8

Source: OLO Analysis of [Table AB2100CSA01](#), 2021 American Business Survey, Census Bureau.

For the second question, OLO considered how this Bill could impact racial disparities in local business revenues. Table 2 summarizes Census estimates of local sales, value of shipments, or revenue for businesses with employees in the County by minority business classification. This data suggests that White-owned employer firms had more than four times the revenue of BIPOC-owned employer firms in the County.

RESJ Impact Statement

Bill 10-24

Table 2: Local Sales, Value of Shipments, and Revenue by Minority Business Classification, Montgomery County

Minority Business Classification	Local Sales, Value of Shipments or Revenue (\$)	Local Sales, Value of Shipments or Revenue (%)
Minority	\$10,054,352	9.5
Non-Minority	\$44,601,447	41.9
Equally Minority/Non-Minority	\$280,343	0.3
Unclassifiable ¹³	\$ 51,436,197	48.4
Total	\$106,372,339	

Source: OLO Analysis of [Table AB1700CSA01](#), 2017 American Business Survey, Census Bureau.

OLO anticipates Bill 10-24 will have a negative impact on RESJ in the County. Assuming the demographics of veteran-owned businesses in the DC metro area aligns with the demographics of veteran-owned businesses in the County, Bill 10-24 would provide an advantage in securing County procurement opportunities to veteran-owned businesses that are disproportionately White. This could worsen existing racial disparities in local business revenues by increasing revenues for White-owned firms.

RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.¹⁴ OLO anticipates Bill 10-24 will have a negative impact on RESJ in the County. Should the Council seek to improve the RESJ impact of this Bill, OLO offers one policy option for consideration:

- **Convene BIPOC and other relevant community stakeholders to conduct a holistic review of preference system for County procurement opportunities.** The County's Office of Procurement administers several programs to advantage local businesses and Minority, Female and Disabled-Owned (MFD) businesses in securing procurement opportunities with the County.¹⁵ To ensure the County's procurement preference system is advancing RESJ with the inclusion of veteran-owned businesses, the Council could convene a group of BIPOC and other community stakeholders to conduct a holistic review of the system and provide recommendations. The Council could require the County Executive to adopt method (2) regulations to implement the group's recommendations in the Office of Procurement.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

OLO staffer Janmarie Peña, Performance Management and Data Analyst, drafted this RESJ impact statement.

RESJ Impact Statement

Bill 10-24

¹ Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

² Ibid.

³ [“FY23 Local Business Programs Annual Report,”](#) Montgomery County Office of Procurement.

⁴ [“Local Small Business Reserve Program \(LSBRP\),”](#) Local Small Business Reserve Program, Montgomery County Office of Procurement.

⁵ In County law, a “local small business” is “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.” Refer to [Montgomery County Code § 11B-65](#)

⁶ “FY23 Local Business Programs Annual Report”

⁷ [Introduction Staff Report for Bill 10-23,](#) Montgomery County Council, Introduced April 16, 2024.

⁸ Ibid.

⁹ Ibid.

¹⁰ [RESJ Impact Statement for Bill 37-24,](#) Office of Legislative Oversight, October 18, 2023.

¹¹ [RESJ Impact Statement for Bill 6-24,](#) Office of Legislative Oversight, March 25, 2024.

¹² Refer to Notes, [Table AB2100CSA01,](#) 2017 American Business Survey, Census Bureau.

¹³ The Census categorizes unclassifiable firms as firms that are not classifiable by sex, ethnicity, race, and veteran status. Refer to Notes, Table AB1700CSA01, 2017 American Business Survey, Census Bureau.

¹⁴ Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

¹⁵ [Local | MFD | Wage,](#) Montgomery County Office of Procurement.