

## **MEMORANDUM**

July 15, 2024

TO: Government Operations & Fiscal Policy Committee

FROM: Ludeen McCartney-Green, Legislative Attorney

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

PURPOSE: Worksession – to receive a committee recommendation

### **Expected Attendees**

Ash Shetty, Director, Office of Procurement  
Grace Denno, Division Chief, Office of Procurement

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, Katz and Sayles, was introduced on April 16, 2024. A public hearing was scheduled for June 18, 2024 before the Council and no testimony was received. A worksession before the Government Operations and Fiscal Policy (GO) Committee is scheduled for July 18, 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 transmittal memo outlining the program and the bill. (© 4).

## SUMMARY OF IMPACT STATEMENTS

### *Climate Assessment*

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.

### *Economic Impact*

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, while other non-veteran businesses would receive a potential loss of income.

OLO recommends to improve the RESJ of this bill would be to convene a BIPOC and other stakeholder group that would ensure procurement preference system is advancing RESJ with the inclusion of veteran-owned businesses and applying a holistic review of the system.

### *Racial Equity Social Justice*

"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." (© 14)

## DISCUSSION QUESTIONS FOR THE COMMITTEE'S CONSIDERATION

Council staff provided the Executive branch a list of questions to answer prior to the July 18 worksession, the following responses below (in blue) were received:

- 1. How would this change to provide preference points to Veteran-Owned Business affect the competition and bid prices on County contracts?**

A: This change will encourage more local small businesses (veteran owned) to participate in the county's procurement competition. Usually when we have more vendors submitting their proposals, in order to win over the other competitors, the vendors most likely would offer better pricing to the County. But in this case, the exact amount of the pricing benefit to the County is difficult to quantify or estimate.

**2. How would this affect awards to minority owned businesses?**

A: It should not affect Minority, Female, Disabled owned business program (MFD). For all Local Small Business Reserve Program (LSBRP) Request for Proposals (RFP) solicitations, the 10% MFD evaluation points are still in place. It does not matter whether the business is veteran owned or not.

**3. How would this enhance the local economy and employment for County residents?**

A: This bill will attract more local small veteran owned businesses to participate in the county's procurements. This could result more county contracts to be awarded to local small businesses particularly if veteran owned local businesses had previously opted not to participate in county procurement opportunities. When local businesses thrive due to government contracts, they are more likely to hire additional employees. This helps reduce unemployment rates and increases the overall income levels in the county. This preference program would directly support the growth and sustainability of local small businesses. This can lead to increased revenue, job creation, and retention within the county.

**4. Can the Executive Branch explain what is the significant governmental purpose to be served by the legislation and how is the proposed program closely related to that significant purpose?**

A: The proposed veterans preference program serves multiple significant governmental purposes. It aids veterans' economic reintegration, utilizes their unique skills, and honors their service. The program promotes social stability, community investment, and diversity in contracting while attracting and introducing a new group of prospective vendors to the Montgomery County economic ecosystem. This program is not merely a gesture of gratitude by leveling the playing field for veterans, but a strategic initiative to drive economic growth, create jobs and increase competition in county procurement.

Attached is letter from Montgomery County Commission on Veterans Affairs in support of the legislation. (© 18).

**5. Are there any surrounding jurisdictions that provide the same type of preference?**

- MD state: Veteran Owned Small Business (VOSB) and Services Disabled Veteran Owned Small Business (SDVOSB) receive procurement preferences of 2% and 3% (in addition to another 5%, if a small business). So, if a non-preference business is the lowest bidder, an SDVOSB would still be awarded the contract provided that its bid does not exceed the low bid by more than 8%. (<https://www.law.cornell.edu/regulations/maryland/COMAR-21-11-01-05>) (<https://www.ez8a.com/state-veteran-business-programs.aspx>)

- Howard County - The Veteran Owned Business Enterprise (VOBE) program includes an overall aspirational goal of 1% of the County's total dollar value of procurement contracts to be made directly or indirectly with VOBs. (<https://www.howardcountymd.gov/procurement-contract-administration/veteran-owned-business-enterprise-program-vobe>)
- At present, at least 31 states, including Maryland, have some form of veteran-owned business purchasing preference program.

## 6. What is the fiscal impact of the Bill?

According to Office Management & Budget (OMB), the Bill is not expected to impact County expenditure or revenues. OMB also notes in its analysis that the 5% points will boost an increase for veteran-owned small business to receive a contract award. However, preference points do not necessarily guarantee the small business will win the award or increase the actual contract value.

## Next Steps: Whether the GO Committee recommends enactment of Bill 10-24?

### This packet contains:

	<u>Circle #</u>
Bill 10-24	© 1
County Executive Memorandum	© 4
Fiscal Impact Statement	© 5
Climate Assessment	© 7
Economic Impact Statement	© 10
Racial Equity and Social Justice (RESJ) Impact Statement	© 14
Montgomery County Commission on Veterans Affairs	© 18

Bill No. 10-24  
Concerning: Contracts and Procurement-  
Local Small Business Reserve  
Program (LSBRP) – Veteran-Owned  
Business Preference Points  
Revised: July 15, 2024 Draft No. 3  
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, Katz, and Sayles

### 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

<b>Boldface</b>	<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.

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#### 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.<sup>1</sup> 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."<sup>2,3</sup> In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.<sup>4</sup>

The goal of Bill 10-24 is to help veteran-owned local small businesses access more County procurement opportunities.<sup>5</sup> 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."<sup>6</sup>

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.<sup>7</sup>

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.

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## RECOMMENDED AMENDMENTS

The Climate Assessment Act requires OLO to offer recommendations, such as amendments or other measures to mitigate any anticipated negative climate impacts.<sup>8</sup> 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.

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## 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.

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## 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.

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## CONTRIBUTIONS

OLO staffer Kaitlyn Simmons drafted this assessment.

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<sup>1</sup> “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>

<sup>2</sup> “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>

<sup>3</sup> 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](https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-123732).

<sup>4</sup> “FY23 Local Business Programs Annual Report.”

<sup>5</sup> “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](https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2834_1_25601_Bill_10-2024_Introduction_20240416.pdf).

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> 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.<sup>1</sup> 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."<sup>2,3</sup> In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.<sup>4</sup>

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<sup>1</sup> "FY23 Local Business Programs Annual Report."

<sup>2</sup> "Local Small Business Reserve Program (LSBRP)."

<sup>3</sup> 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.

<sup>4</sup> "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.<sup>5</sup> 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.<sup>6</sup>

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.<sup>7</sup>

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.<sup>8</sup>

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.

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<sup>5</sup> “Introduction Staff Report on Bill 10-24.”

<sup>6</sup> “Introduction Staff Report on Bill 10-24.”

<sup>7</sup> “Introduction Staff Report on Bill 10-24.”

<sup>8</sup> 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.

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### **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.<sup>1</sup> 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.<sup>2</sup>

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### **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.<sup>3</sup> 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."<sup>4,5</sup> In FY23, the County spent \$305 million with local small businesses. Almost \$56 million (31%) of this amount was spent under the LSBRP.<sup>6</sup>

The goal of Bill 10-24 is to help veteran-owned local small businesses access more County procurement opportunities.<sup>7</sup> 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."<sup>8</sup>

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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.<sup>9</sup>

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;<sup>10</sup> and
- Bill 6-24, Property Tax Credit – Disabled Veterans.<sup>11</sup>

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

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### 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.<sup>12</sup> 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.

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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 <sup>13</sup>	\$ 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.<sup>14</sup> 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.<sup>15</sup> 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

<sup>1</sup> 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>

<sup>2</sup> Ibid.

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

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

<sup>5</sup> 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](#)

<sup>6</sup> “FY23 Local Business Programs Annual Report”

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

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

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

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

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

<sup>13</sup> 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.

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

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



## Commission on Veterans Affairs

July 10, 2024

The Honorable Andrew Friedson, President  
*Facsimile*  
Montgomery County Council

*Via Electronic*

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

Dear Council President Friedson

On behalf of the Commission on Veterans Affairs, I am writing to express the Commission's strong support for Bill 10-24 that would give a 5 percent preference for Veteran owned local small businesses when bidding on County funded procurement opportunities. The passage would increase awareness/navigation of secure application process through the County's procurement system. This effort would join with the effort of the Governor's Office of Small, Minority & Women Business Affairs which is the State's primary advocate for small, minority- and women-owned businesses.

The Commission supports the County Executive 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). We applaud this effort. 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

The County is also to be commended for the passage of the Hiring Preference for People with Disabilities, Disabled Veterans and Veterans in 2012. The passage of Bill 10-24 would further demonstrate the County's commitment to Veterans and their families and show much deserved support for their service to our country. Please feel free to contact me with any questions.

Sincerely,

Michael Wilson, Chair