

SENATE BILL 232

P2

6lr1334

By: Senator Salling

Introduced and read first time: January 15, 2026

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

State Procurement – Preferences – Historically Underutilized Business Zone Businesses

4 FOR the purpose of requiring a unit to structure procurement procedures to meet certain
5 federal procurement standards; establishing certain overall percentage goals of the
6 unit's total dollar value of procurement contracts to be made directly or indirectly
7 with historically underutilized business zone businesses in certain years; requiring
8 the Governor's Office of Small, Minority, and Women Business Affairs to adopt
9 regulations establishing a certain certification process and a certain percentage price
10 preference; establishing penalties for certain violations; and generally relating to
11 procurement preferences for historically underutilized business zone businesses.

12 BY repealing and reenacting, with amendments,
13 Article – State Finance and Procurement
14 Section 14–501
15 Annotated Code of Maryland
16 (2021 Replacement Volume and 2025 Supplement)

17 BY adding to
18 Article – State Finance and Procurement
19 Section 14–1101 through 14–1105 to be under the new subtitle “Subtitle 11.
20 Historically Underutilized Business Zone Business Participation”
21 Annotated Code of Maryland
22 (2021 Replacement Volume and 2025 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
24 That the Laws of Maryland read as follows:

Article – State Finance and Procurement

26 14-501.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- (a) In this subtitle the following words have the meanings indicated.
 - (b) “Certification agency” has the meaning stated in § 14–301 of this title.
 - (c) “Economically disadvantaged individual” has the meaning stated in § 14–301 of this title.
 - (d) “Small business” means:

(1) a certified minority business enterprise, as defined in § 14-301 of this
section, that meets the criteria specified under item [(3)] (4) of this subsection;

(2) a veteran-owned small business enterprise, as defined in § 14–601 of
at meets the criteria specified under item [(3)] (4) of this subsection; [or]

(3) A HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS, AS
§ 14-1101 OF THIS TITLE, THAT MEETS THE CRITERIA SPECIFIED UNDER
THIS SUBSECTION; OR

[(3)] (4) a business, other than a broker, that meets the following criteria:

(i) the business is independently owned and operated;

(ii) the business is not a subsidiary of another business;

(iii) the business is not dominant in its field of operation; and

(iv) 1. A. the wholesale operations of the business did not
50 persons in its most recently completed 3 fiscal years;

B. the retail operations of the business did not employ more than recently completed 3 fiscal years;

C. the manufacturing operations of the business did not persons in its most recently completed 3 fiscal years;

D. the service operations of the business did not employ more
or recently completed 3 fiscal years;

E. the construction operations of the business did not employ its most recently completed 3 fiscal years; and

F. the architectural and engineering services of the business
in 100 persons in its most recently completed 3 fiscal years; or

1 2. A. the gross sales of the wholesale operations of the
2 business did not exceed an average of \$4,000,000 in its most recently completed 3 fiscal
3 years;

B. the gross sales of the retail operations of the business did not exceed an average of \$3,000,000 in its most recently completed 3 fiscal years;

6 C. the gross sales of the manufacturing operations of the
7 business did not exceed an average of \$2,000,000 in its most recently completed 3 fiscal
8 years;

14 F. the gross sales of the architectural and engineering
15 services of the business did not exceed an average of \$4,500,000 in its most recently
16 completed 3 fiscal years.

(e) "Small business reserve" means those procurements that are limited to responses from small businesses under § 14–502(c) of this subtitle.

SUBTITLE 11. HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESS PARTICIPATION.

21 14-1101.

22 IN THIS SUBTITLE, "HISTORICALLY UNDERUTILIZED BUSINESS ZONE
23 BUSINESS" MEANS A BUSINESS THAT:

29 14 1102

(A) (1) A UNIT SHALL STRUCTURE PROCUREMENT PROCEDURES TO MEET THE STANDARDS ADOPTED BY THE U.S. SMALL BUSINESS ADMINISTRATION

1 IN SUBPART 19.13 OF THE FEDERAL ACQUISITION REGULATION, AS PROVIDED IN
2 48 C.F.R. CHAPTER 1.

3 (2) THE OVERALL PERCENTAGE GOAL OF THE UNIT'S TOTAL DOLLAR
4 VALUE OF PROCUREMENT CONTRACTS TO BE MADE DIRECTLY OR INDIRECTLY WITH
5 HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES IS:

6 (I) 1% IN 2026 AND 2027;

7 (II) 2% IN 2028; AND

8 (III) 3% IN 2029 AND EACH YEAR THEREAFTER.

9 (3) THE GOVERNOR'S OFFICE OF SMALL, MINORITY, AND WOMEN
10 BUSINESS AFFAIRS SHALL ADOPT REGULATIONS THAT ESTABLISH, CONSISTENT
11 WITH SUBPART 19.13 OF THE FEDERAL ACQUISITION REGULATION, AS PROVIDED
12 IN 48 C.F.R. CHAPTER 1:

13 (I) A PROCESS FOR THE CERTIFICATION OF HISTORICALLY
14 UNDERUTILIZED BUSINESS ZONE BUSINESSES, INCLUDING THE VERIFICATION OF
15 ELIGIBILITY THROUGH THE FEDERAL SYSTEMS FOR AWARD MANAGEMENT; AND

16 (II) A PERCENTAGE PRICE PREFERENCE FOR PROCUREMENT
17 CONTRACTS MADE DIRECTLY OR INDIRECTLY WITH HISTORICALLY UNDERUTILIZED
18 BUSINESS ZONE BUSINESSES.

19 (B) THE PROVISIONS OF THIS SUBTITLE DO NOT APPLY TO A UNIT'S
20 PROCUREMENT PROCEDURES TO THE EXTENT THAT ANY UNIT DETERMINES THAT
21 THOSE PROVISIONS ARE IN CONFLICT WITH AN APPLICABLE FEDERAL PROGRAM.

22 14-1103.

23 THE GOVERNOR'S OFFICE OF SMALL, MINORITY, AND WOMEN BUSINESS
24 AFFAIRS SHALL:

25 (1) ADOPT REGULATIONS TO IMPLEMENT THIS SUBTITLE;

26 (2) ESTABLISH PROCEDURES FOR TRACKING AND REPORTING
27 PARTICIPATION OF HISTORICALLY UNDERUTILIZED BUSINESS ZONE BUSINESSES
28 UNDER THIS SUBTITLE; AND

29 (3) ON OR BEFORE DECEMBER 1 EACH YEAR, REPORT TO THE
30 LEGISLATIVE POLICY COMMITTEE ON:

6 (II) AN EVALUATION OF THE EFFECTIVENESS OF
7 PARTICIPATION AMONG HISTORICALLY UNDERUTILIZED BUSINESS ZONE
8 BUSINESSES UNDER THIS SUBTITLE.

9 14-1104.

11 **(1) KNOWINGLY AND WITH INTENT TO DEFRAUD, FRAUDULENTLY**
12 **OBTAI^NN OR ATTEMPT TO OBTAIN, OR AID ANOTHER PERSON IN FRAUDULENTLY**
13 **OBTAI^NNING OR ATTEMPTING TO OBTAIN, PUBLIC MONEY, PROCUREMENT**
14 **CONTRACTS, OR FUNDS EXPENDED UNDER A PROCUREMENT CONTRACT TO WHICH**
15 **THE PERSON IS NOT ENTITLED UNDER THIS ARTICLE;**

16 **(2) KNOWINGLY AND WITH INTENT TO DEFRAUD, FRAUDULENTLY**
17 **REPRESENT PARTICIPATION OF A HISTORICALLY UNDERUTILIZED BUSINESS ZONE**
18 **BUSINESS IN ORDER TO OBTAIN OR RETAIN A BID PREFERENCE OR A PROCUREMENT**
19 **CONTRACT;**

31 **(5) WILLFULLY AND KNOWINGLY FAIL TO FILE ANY DECLARATION OR**
32 **NOTICE WITH THE UNIT THAT IS REQUIRED BY THIS SUBTITLE; OR**

1 **(6) ESTABLISH, KNOWINGLY AID IN THE ESTABLISHMENT OF, OR**
2 **EXERCISE CONTROL OVER A BUSINESS FOUND TO HAVE VIOLATED A PROVISION OF**
3 **ITEMS (1) THROUGH (5) OF THIS SUBSECTION.**

4 **(B) (1) A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF**
5 **THIS SECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A**
6 **FINE NOT EXCEEDING \$1,000 OR IMPRISONMENT NOT EXCEEDING 6 MONTHS OR**
7 **BOTH.**

8 **(2) IN ADDITION TO THE PENALTIES UNDER PARAGRAPH (1) OF THIS**
9 **SUBSECTION, A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF THIS**
10 **SECTION IS:**

11 **(I) FOR THE FIRST OFFENSE, LIABLE FOR A CIVIL PENALTY OF**
12 **NOT LESS THAN \$10,000 AND NOT EXCEEDING \$30,000; AND**

13 **(II) FOR A SUBSEQUENT OFFENSE, LIABLE FOR A CIVIL PENALTY**
14 **OF NOT LESS THAN \$30,000 AND NOT EXCEEDING \$50,000.**

15 **(3) A PERSON WHO VIOLATES ANY PROVISION OF SUBSECTION (A) OF**
16 **THIS SECTION SHALL PAY ALL COSTS AND ATTORNEY'S FEES INCURRED BY THE**
17 **PLAINTIFF IN A CIVIL ACTION BROUGHT UNDER THIS SUBTITLE.**

18 **(C) THE BOARD SHALL PROHIBIT A BUSINESS OR PERSON WHO FAILS TO**
19 **SATISFY THE PENALTIES, COSTS, AND ATTORNEY'S FEES IMPOSED UNDER**
20 **SUBSECTION (B) OF THIS SECTION FROM FURTHER CONTRACTING WITH THE STATE**
21 **UNTIL THE PENALTIES ARE SATISFIED.**

22 **(D) (1) A UNIT SHALL REPORT ALL ALLEGED VIOLATIONS OF THIS**
23 **SECTION TO THE BOARD.**

24 **(2) THE BOARD SUBSEQUENTLY SHALL REPORT ALL ALLEGED**
25 **VIOLATIONS OF THIS SECTION TO THE OFFICE OF THE ATTORNEY GENERAL, WHICH**
26 **SHALL DETERMINE WHETHER TO BRING A CIVIL ACTION AGAINST A PERSON OR**
27 **BUSINESS FOR A VIOLATION OF THIS SECTION.**

28 **14–1105.**

29 **IN ADDITION TO THE PENALTIES UNDER § 14–1104(B) OF THIS SUBTITLE, A**
30 **PERSON THAT WILLFULLY MISREPRESENTS A BUSINESS AS A HISTORICALLY**
31 **UNDERUTILIZED BUSINESS ZONE BUSINESS FOR PURPOSES OF OBTAINING OR**
32 **RETAINING A CONTRACT OR SUBCONTRACT MAY BE SUBJECT TO:**

1 **(1) SUSPENSION OR DEBARMENT UNDER TITLE 16 OF THIS ARTICLE;**
2 **OR**

3 **(2) CIVIL PENALTIES UNDER THE MARYLAND FALSE CLAIMS ACT**
4 **UNDER TITLE 8 OF THE GENERAL PROVISIONS ARTICLE.**

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 October 1, 2026.