

# 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 LSBPR, 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.