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Introduction

Enactment of the 2005 Base Realignment and Closure (BRAC) Commission recommendations presented the State of Maryland with tremendous opportunities. The 2005 round of BRAC will result in the creation of up to 60,000 new jobs and the arrival of as many as 28,000 new households. While the State anxiously awaits full completion of the growth by 2011, State agencies and the Governor's Subcabinet on BRAC identified and are working to meet the challenges facing Maryland in the coming years, which includes the State's ability to develop the workforce to fill many of the jobs moving to Maryland and preparing the infrastructure to serve a larger population. In addition, the State has taken measures to ensure that small and minority-owned businesses have access to State and Federal procurement and business opportunities, including technology transfer opportunities associated with BRAC, which will be the focus of this testimony.

The BRAC Subcabinet has identified several challenges that are preventing small and minority-owned business from fully realizing the procurement and business opportunities attendant with implementation of BRAC 2005. Those challenges include access to security clearances, acquisition of capital, and unenforced or inadequate federal guidelines for minority participation in the negotiation and execution of Enhanced Use Lease (EUL) agreements.

Minority Business Participation in Maryland

The State of Maryland has long established itself as a national leader in enhancing minority and women business participation. The State's small business community is, perhaps, the nation's most diverse – more than a third of firms are majority-owned by women, the highest percentage in the nation, and more than 16 percent are majority-owned by African Americans, also the highest percentage in the nation. In addition, between 1997 and 2002 – the most recent year for which data is available – Maryland saw the number of Asian-owned firms grow by 19 percent, Hispanic-owned firms by 37.5 percent, and American Indian and Alaskan Native-owned firms by 50 percent. In total, more than half of Maryland's nearly 500,000 small businesses are minority or women-owned.

Maryland's diverse business community is also due in large part to the State's aggressive Minority Business Enterprise (MBE) statutes. The Maryland standard, now in its 30th year, has emerged as a model for progressive MBE policy and sound operating procedures. Maryland sets ambitious MBE participation goals for all procurements in each State agency. Current legislation calls on Maryland's agencies to aim for 25 percent overall MBE participation. Additionally, sub-goals are set for women-owned MBE firms (10 percent) and African American-owned MBE firms (seven percent).

While Maryland has not yet fully achieved the 25 percent goal, in recent years, the State has shown steady improvement in meeting this goal and several State agencies have met and surpassed the goal or come within striking distance of meeting the goal in the near future:

- In Fiscal Year 2007, the State allocated $5.46 billion in total procurement contracts, $1.12 billion of which was awarded to MBE firms (20.5 percent).
- The Maryland Department of Environment (MDE) exceeded MBE goals in Fiscal Year 2007 by awarding more than 34 percent of its procurement contracts to MBE firms.
- The Maryland Department of Transportation (MDOT) awarded $1.8 billion in total contacts in Fiscal Year 2007, roughly $397 million to MBE firms (22 percent). That represents an improvement over Fiscal Year 2006 when MDOT awarded just 19 percent to MBE firms.
- The Maryland Department of General Services (DGS) is actively working to reach the 25 percent goal and in Fiscal Year 2007 awarded more than $52 million to MBE firms.

Maryland has a dedicated agency, the Governor's Office of Minority Affairs (GOMA), which serves as a clearing house and advocate for Maryland's half million small and minority-owned businesses. GOMA has established partnerships with vital stakeholders and actively engages small and minority-businesses through outreach and education.

As a member agency on the Governor's Subcabinet on BRAC, GOMA is working with the minority business community to encourage ever greater participation. GOMA has undertaken several initiatives and will shortly begin others that are designed to provide small and minority-owned businesses with the resources and information to compete for BRAC contracts and business. Such initiatives include:

<u>BRAC Opportunities Study</u>: The Governor's Office of Minority Affairs, along with the Maryland Department of Business and Economic Development and the Maryland Department of Labor, Licensing and Regulation, is commissioning a BRAC Opportunities Study. The aim of the study is to identify public procurement opportunities and those small and minority-owned businesses which have the clearance and personnel already in place to compete, grow and contribute within the BRAC economic community. In addition, the study will analyze and evaluate the strengths and needs of Maryland's small businesses and the business assistance organizations that help small and minority-owned firms compete. Lastly, the study will examine the extent to which participation in BRAC will impact other small and minority-owned business growth.

One-Stop Employment and Procurement Website: GOMA already has an easy-to-use website that provides small and minority-owned businesses with access to information and resources. From the recommendations of the Governor's Subcabinet on BRAC, GOMA will soon launch a new website that will serve as a "One-Stop" center to include information for businesses on BRAC. The site will contain links to local BRAC impacted jurisdictions, the U.S. Department of Defense, the Maryland Small Business Development Center Network, various minority contracting advocacy organizations, local Chambers of Commerce, and the Maryland Procurement and Technical Assistance Program. Lastly, the site currently contains a downloadable version of the informational guide, "Business Opportunities Manual for Small Businesses, Seeking Contracts with Maryland's Federal Facilities."

BRAC Procurement Opportunities

A wealth of opportunities exist for Maryland companies at the State and Federal levels. Maryland realizes the incredible occasion for entrepreneurship and is working through its Department of Business and Economic Development to encourage such growth.

Federal Procurement

The increased volume of Federal acquisition projects tied to Maryland military bases, as well as the transfer of operations from the Defense Information Systems Agency (DISA) and Ft. Monmouth, present established and new Maryland firms with greater access to Federal contracts. These potential contracts fall under four specific tiers, some immediate and others long ranging. They are:

- Tier One: Military Construction
- Tier Two: Informational Technology and Telecommunications
- Tier Three: Logistics, including relocation
- Tier Four: Services

Lastly, Federal opportunities exist through privatized development on the base, such as Enhanced Use Leases.

State Procurement

The State of Maryland estimates that it will award nearly $400 million in procurement contracts in the current fiscal year that directly serve the BRAC growth and development, mostly in transportation infrastructure, environmental improvements, and public school construction.

Transportation: Maryland has invested $1.7 billion for 31 BRAC-related projects in its Capital Transportation Program over the next six years. In the Governor's Fiscal Year 2009 budget, the State has allocated $139 million for intersection improvements near Aberdeen Proving Ground, Ft. Meade, and Bethesda Naval Medical Center. MDOT is the largest Maryland agency to participate in the Federal Disadvantaged Business Enterprise program, which last year set DBE participation goals of 27.1 percent for Maryland Transit Administration procurements and 25.3

percent for State Highway Administration procurements. As discussed earlier, MDOT is showing remarkable progress in minority-owned business participation and will likely meet the ambitious State goals in the coming years.

Environmental Improvements: In order to serve a larger population, Maryland must maintain its water treatment plants. The Maryland Department of Environment (MDE) has allocated $536 million in Fiscal Year 2009 within the nine Maryland jurisdictions anticipating the greatest amount of BRAC growth. To help meet the 25 percent MBE participation goal (as well as the 22 percent participation negotiated with the U.S. Environmental Protection Agency), MDE has proposed legislation during the current session of the General Assembly that would require contract applicants to undertake certain steps to achieve MBE participation.

Public School Construction: The O'Malley/Brown Administration included $400 million for school construction in its Fiscal Year 2008 budget, 71 percent of which was allocated to the nine jurisdictions anticipating the greatest BRAC growth. In the Fiscal Year 2009 budget, the Administration has allocated $333 million for school construction, $139 million of which will be directed to those same nine jurisdictions. The Maryland State Department of Education expects to meet Maryland procurement goals for school construction, awarding nearly $162 million to minority-owned firms.

Challenges Facing Minority Businesses with BRAC

Security Clearance

The problem of meeting the need for required security clearances within an acceptable time frame could pose a substantial problem in meeting recruitment goals. Most transferring jobs and many contractor jobs moving to Maryland because of BRAC will require at least 'secret' clearance. The Maryland Department of Labor, Licensing and Regulation (DLLR) estimates that Maryland will be responsible for filling as many as seven out of 10 BRAC jobs, requiring Maryland to develop a workforce that is not only trained and skilled in the respective field, but also properly cleared.

This reality puts an increased burden on small and minority businesses. The cost of gaining security clearance is burdened by the employer and can range from $60,000 to $150,000 per employee. In addition, the process often takes up to two years, leaving many small and minority-owned firms overburdened by the monetary and timely cost to apply for clearance on behalf of their employees.

Access to Capital

Having the adequate access to capital is essential to the ability of small and minority-owned firms to build and expand capacity, especially in the area of construction. Larger construction projects, including the intersection improvement and transit expansion projects identified by MDOT to serve the BRAC growth, often require surety bonding and financing. Such financing

is too often unavailable to small and minority-owned firms that cannot access the capital required to provide collateral for the loans and financing.

Enhanced Use Lease

Enhanced Use Leases (EUL) bring, perhaps, the largest challenge for small and minority-owned business participation. The EUL is a tool that facilitates the leveraging of Federal assets to address unfunded needs on military installations. There are several EUL projects currently underway or nearing construction in Maryland, notably inside the fence at Aberdeen Proving Ground and Ft. Meade. While these projects are not directly BRAC projects, each serves to support the growth and development that is scheduled to arrive in Maryland in the coming years.

The specific concern in Maryland is that the federally-negotiated EULs do not require the adherence to either federal or State procurement laws, including minority-owned business participation goals. Rather, the arrangements allow for voluntary compliance on the part of the private developer with federal and State procurement law. Failure and disparate allocation of opportunity caused by such voluntary compliance in years past is the very reason that federal and State procurement laws evolved to include minority-owned business participation procurement goals.

Conclusion

Maryland is very fortunate to be on the winning side of BRAC. Our Federal Delegation has been instrumental in making sure that Maryland is BRAC Ready, and we appreciate their support and partnership. However, those challenges outlined above remain a major obstacle for Maryland's small and minority-owned businesses. In order for them to benefit from these unique BRAC opportunities, your assistance is needed with the following.

- Ensuring that federal procurement laws and regulations such as the Federal Acquisition Regulation (FAR) and the Federal Disadvantaged Business Enterprise (DBE) laws are applied to all federal BRAC contracting activity including Enhanced Use Leases (EULs) with private developers which are managed by the Army Corps of Engineers on behalf of military bases in Maryland. The Governor's Office of Minority Affairs wants to encourage the federal government to embrace State MBE goals on EUL projects.

- Encouraging Maryland military bases to conduct continuous outreach to local small and minority businesses for the purpose of achieving greater inclusion in base-controlled purchasing and contract activity with both base purchasing representatives and private contractors that work on base.

- Sponsoring and supporting supplemental funding requests for Maryland's Small Business Development Centers (SBDC & SBA/State Funded) for the continuation and expansion of their BRAC and the Bottom Line technical assistance programs designed to assist your constituent businesses to better understand and access BRAC business opportunities.

- Establishing a relationship with the DoD to obtain information on upcoming opportunities as well as access to data on Maryland companies and federal government spending related to BRAC projects.

Thank you for your time and attention. We look forward to continuing to work with our Federal counterparts to address these and other challenges facing small and minority businesses.