



COMPTROLLER OF MARYLAND

MARYLAND PROCUREMENT PLAYBOOK

JUNE 2024

Background

The Maryland Procurement Playbook provides a comprehensive assessment of federal, state, and local contracting taking place within Maryland to better understand the potential for the government procurement economy to drive private sector growth statewide. The Playbook was produced through a partnership between the Office of the Comptroller's Policy Division and the Nowak Metro Finance Lab at Drexel University.

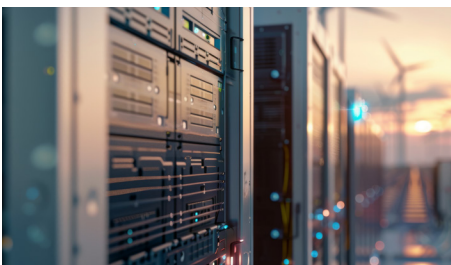
Key Findings

In fiscal year 2022, federal, state, and local entities awarded an estimated **\$68 billion in prime contracts** in Maryland to over 9,100 firms. Maryland-based companies were also awarded \$16 billion in federal contracts for work performed in other states. In total, **the government procurement economy represents 17.5% of Maryland's GDP.**

Federal procurement in Maryland is driven by the heavy presence of federal and military facilities across the state due to its proximity to the nation's capital. **Federal spending represents 53% of government procurement in Maryland**, with the Department of Defense and Health and Human Services representing nearly 60% of federal spending. Maryland is home to more than **3,300 firms with active prime contracts with the federal government**. More than 1,000 of these firms are growing companies, based on increased federal contract awards over the past three years; **33% of these growing firms are minority owned (MBEs).**

Maryland's procurement economy is **uniquely concentrated in professional services and IT**. These higher-paying industries represent nearly half of federal, state, and local procurement spending in Maryland. In 2023, **25%** of prime IT contracts were awarded to MBEs at the federal level, and **11%** of prime IT contracts went to MBEs at the state level.

In 2023, an estimated **40% of federal, state, and local prime contract awards designated for work to be performed in Maryland was awarded to out-of-state firms**. At the federal level alone, this leakage represented more than \$11.5 billion in prime contract awards going to out-of-state firms.



Find the full Maryland Procurement Playbook at marylandtaxes.gov/research

Challenges

Through interviews with over 40 stakeholders representing firms, entrepreneurial support organizations, advocacy groups, and chambers of commerce, the research team identified barriers that inhibit Maryland-based, MBEs, and women-owned firms from tapping into the full potential of the procurement economy in Maryland.

There are more than **300 purchasing entities** across federal, state, and local governments in Maryland that have varying regulatory and policy regimes despite seeking the same types of services and goods. Firms operating in government procurement find it **difficult to diversify their customer base** across levels of government, which can support stability and growth. For example, **97% of contracts in the IT field across levels of government seek the same services**, such as systems design, but only **3% of IT firms contract with more than one level of government in Maryland**.

In general, there is a **disconnect between the services offered** by financial institutions, business development organizations, consultants, and industry groups **and the specific needs of government contractors**, especially for firms already in the procurement marketplace that are seeking to grow, as well as firms in IT and professional services.

Recommendations

The Playbook suggests strategies to better support companies navigating Maryland's procurement economy, including the below.

Develop a state grant program for nonprofits, including business resource centers and community development financial institutions, to design and deliver procurement training, one-on-one assistance, and flexible financing programs customized for government contractors.

Create a procurement economy office that serves as a one-stop shop to better align purchasers across federal, state, and local governments, business development organizations, business services firms and programs supporting government contractors, and firms seeking to enter or grow in the procurement economy.

Develop programs for industry-specific networking and information sharing, especially in IT and professional services, where government purchasers and private vendors can build relationships and service providers can better understand how to tailor products and services to meet industry needs.