



Written Testimony of
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Education, Health, and Environmental Affairs Committee
State and Local Procurement - Payment Practices. SB 933
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Good Morning Chairman Senator Paul Pinsky and Vice Chair Senator Cheryl Kagan and the distinguished members of the Education, Health and Environmental Affairs Committee. It is an honor to provide testimony for the Senate Bill 933 “State and Local Procurement – Payment Practices - Minority Business Enterprise Programs”.

I am Sharon Roberson Pinder, the President and CEO of the Capital Region Minority Supplier Development Council. The Capital Region Council is an affiliate of the National Minority Supplier Development Council. Our Council, (local headquarters in Montgomery County), is the nation’s premier organization for minority businesses with over 12,000 certified minority business enterprises (MBEs) and 1100 corporations and governments as its members. I am also the operator of two grants from the Department of Commerce – Minority Business Development Agency. We also operate two of the 37 federal MBDA Centers located across this country. Our Federal Procurement Center operation is the only federally funded Center of its kind in the nation. I am also the former Special Secretary for the Governor’s Office of Minority Affairs for the State of Maryland.

As a Council we certify MBEs for the private sector and provide support in our quest to help businesses build capacity to become competitively viable businesses.

The success of small and minority business is centered around growing the economy and creating jobs. However, this cannot happen unless small and minority owned businesses are paid within a timely manner, to produce goods and services effectively and efficiently.



Millions if not billions of dollars are paid yearly to small and minority businesses. However, the alarming fact is that many of those businesses don't receive those funds in nearly enough time to successfully operate their business. This oftentimes, lead to the unfortunate demise of a minority enterprises before they even have the chance to reach their full potential.

The Capitol Region Minority Supplier Development Council (CRMSDC) has worked extremely hard over the years to assist minority owned businesses with the resources they need to be prosperous in their specific industries; something that we as an organization are very proud. That said, no matter the number of tools or resources we make available to our clients, unless they in-turn are being paid within a reasonable amount of time by their clients, success and failure become two sides of the same coin, which can ruin any enterprise.

Many of the minority businesses we represent take on contracts as subcontractors, something that is fairly common in the construction industry. The issue here is when prime contractors fail to pay minority subcontractors in a timely fashion and as a result creates a domino effect that leads to economic ruins.

An all-too-typical scenario is emerging across the country wherein a prime contractor reluctantly subcontracts to a minority-owned firm in order to comply with a federal goal. Even though that subcontractor satisfactorily completes a portion of a project, the prime contractors refuses to pay the subcontractor progress payments on the false pretense that the prime has not yet been paid by the government. After several months, the subcontractor is effectively forced to continue work on the project without payment, or risk default. The subcontractor's cash flow is seriously disrupted. As a result, sometimes subcontractors fall behind in payroll tax payments, causing serious difficulties with the IRS.

In other instances, the prime contractor contacts the subcontractor's suppliers and urges them to file claims against the subcontractor in order to ensure payment. When this occurs, the prime contractor is relieved of its obligation to pay the subcontractor pending resolution of the claims, even though the prime contractor's failure to pay the subcontractor is the underlying cause for the subcontractor's weakened financial condition. For minority contractors, these tactics gravely impact their ability to do business.



While this particular scenario is specific to the construction industry, and focuses on process payments, the same underlying factors mirror those of prompt payment. Minority businesses that work directly with the state, are presently subject to a 30-day term, which can easily put a strain on or even worse dissolve funding for the day to day operations, payroll, taxes, supplies, etc., of the business. That assumes the minority business is even paid within the 30-day term. Oftentimes many of these 30-day term payments are delayed far beyond that timeframe and as a result, causes catastrophic results to the minority business, including having to close down for good.

Baring this in mind, the best way to alleviate this economic destruction from continuing to take place within minority business enterprises, is to implement Prompt Payment Practices, where state business contractors receive payment within 15 days of invoice rather than the current policy of 30 days. Thus, securing continues economic growth and job creation throughout the country.

Thank you.

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