

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1340
 Economic Matters

(Delegate Taylor, *et al.*)

Business Regulation - Reporting of Contracts with Small Businesses and Certified Minority Business Enterprises

This bill provides that an employer may not represent a business affiliation with a small business or certified Minority Business Enterprise (MBE) in an advertising or marketing publication targeting other businesses unless the employer has filed a report with the Department of Labor, Licensing, and Regulation (DLLR). The report must contain: (1) the total number and value of contracts between the employer and small businesses or MBEs if a small business or MBE is featured in the publication; and (2) the percentage that the procurement contracts with small businesses or MBEs represent of the employer’s total procurement contracting.

A list of reports filed must be made available to the public at no cost. An employer is not required to file the report if the employer is not aware of the status of an entity as a small business or MBE. Finally, the bill provides that violation of the statute is a felony offense with penalty provisions of \$15,000 per violation.

Fiscal Summary

State Effect: General fund expenditures could increase by \$118,000 in FY 2006. Future year expenditures reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	118,000	109,600	116,000	125,800	130,200
Net Effect	(\$118,000)	(\$109,600)	(\$116,000)	(\$125,800)	(\$130,200)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: There is no statute addressing the reporting of contracts between businesses and MBEs or small businesses. These relationships between businesses exist wholly without government involvement. There is a nonbinding statewide goal of 25% of total State contracting dollars to be dedicated to MBEs.

Background: The Office of Minority Affairs estimates that there are 400,000 small businesses, 128,000 women owned business and 82,000 minority businesses. Given the number of covered entities with which an employer may do business, it is difficult to estimate the number of reports that would be received. It is anticipated that it may be a fairly large and constant number of reports.

State Fiscal Effect: DLLR does not have an existing program to which this function could be added. It would therefore establish a reporting unit within its Office of Equal Employment Opportunity and Program Equity to collect and maintain the reports filed. Contractual information technology programming would be required to allow the online posting of the list. General fund expenditures could increase by \$117,997 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of one program administrator and one secretary in DLLR to record and maintain the database of reports from the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$74,149
Information Technology and Other Operating Expenses	<u>43,828</u>
Total FY 2006 State Expenditures	\$117,977

Small Business Effect: The reporting requirements of the bill could either deter an employer from doing business with small or minority businesses, or deter the employer from advertising these affiliations. The bill could produce harmful results for small businesses and MBEs, who benefit from both the contracts with and a perceived affiliation with a larger business.

Additional Comments: HB 919 of this session proposes a commercial nondiscrimination policy which provides that the State will not engage in certain contracts with businesses that have been found to discriminate against subcontractors and suppliers on the basis of race and other factors.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation; Executive Department; State Department of Assessments and Taxation; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2005
mp/hlb

Analysis by: Martin L. Levine

Direct Inquiries to:
(410) 946-5510
(301) 970-5510