

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 928

(Senators Rosapepe and Reilly)

Education, Health, and Environmental Affairs

Rules and Executive Nominations

Procurement - Preferences - Blind Industries and Services of Maryland

This bill expands an existing purchase preference for Blind Industries of Maryland (BISM) to include supplies or services for which is subcontracts. The purchase preference applies only if Maryland Correctional Enterprises (MCE) does not provide the supplies or services.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: Potential foregone benefits from competitive procurements for State agencies that procure services or supplies for which BISM subcontracts, or may subcontract in the future, to the extent that other vendors can provide the same or better products and services at lower cost. The bill currently affects only procurement of vending machine supplies and services, but may affect procurement of other supplies or services to the extent that BISM expands its offerings through subcontracting opportunities. The extent of any foregone benefits cannot be reliably estimated, but the aggregate effect may be significant if BISM subcontracts for a wide range of supplies or services.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Under State procurement law, a State agency and State-aided or -controlled entities must procure services and supplies from MCE, BISM, or the Employment Works Program, in that order of preference. Only if none of those entities produces or provides the desired supplies or services may a State agency issue a competitive procurement.

Background: BISM was established in 1908 as a nonprofit organization with a stated purpose of positively changing people's attitudes about blindness. BISM maintains 11 facilities, 4 of which are in Maryland, that employ 400 associates to manufacture and provide a wide array of products and services. Its clients include the federal government, state governments, and commercial customers. Until last year, it also operated its own vending supply and maintenance service, with at least 20 blind associates working together with sighted partners to supply over 1,000 vending machines to 150 customer accounts, including the vast majority of State facilities.

Beginning in 2010, BISM began subcontracting its vending services to two subcontractors who do not use blind associates. As a result, BISM also does not derive any significant revenue from that operation, as most proceeds go to the vendors. The Department of General Services has advised BISM that the existing procurement preference does not apply if it subcontracts the services.

MCE is the prison industry component of the Division of Correction. MCE is solely supported with special funds, maintaining a self-supporting status by providing an array of services and manufacturing a variety of products through the use of inmate labor. MCE's customer base includes the State, local governments, and nonprofit organizations.

The Secretary of General Services must designate Maryland Works, Inc., or another appropriate entity, to facilitate the distribution of procurement contracts to community service providers that participate in Employment Works. Maryland Works is a statewide membership association of at least 19 community service organizations that specialize in creating employment opportunities for individuals with disabilities. It serves over 17,000 Marylanders with disabilities, more than 11,000 of whom are in employment settings. As the manager of the current purchasing preference program for sheltered workshops, it administers \$41 million in State contracts for supplies and services.

State Fiscal Effect: The bill restricts future competition for some supplies and services for which BISM subcontracts, most notably vending machine services and maintenance in State facilities, by expanding the current procurement preference to include subcontracted supplies or services. As noted above, the vast majority of State facilities currently procure their vending machine services from BISM under the existing preference. At least one entity, the University of Maryland, College Park, advises that

since BISM began subcontracting its services, the prices of food and beverages in its vending machines have increased. To the extent that the bill expands the current procurement preference, it limits State agencies' ability to procure new vending machine suppliers, and potentially other supplies and services for which BISM may subcontract, through a competitive procurement.

Legislative Services notes that, as with the subcontracts for vending machine supplies and services, BISM subcontractors do not necessarily provide employment opportunities for blind individuals. However, BISM advises that it may try to use subcontract opportunities as leverage to encourage firms to employ more blind individuals.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Blind Industries and Services of Maryland, Department of Budget and Management, Department of General Services, Maryland Department of Transportation, University System of Maryland, Department of Legislative Services

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