

# SENATE BILL 948

C5, L5

8lr3150  
CF 8lr3000

---

By: **Senator Rosapepe**

Introduced and read first time: February 5, 2018

Assigned to: Finance

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Washington Suburban Sanitary Commission – Minority Business Enterprises –**  
3 **Subcontracting**

4 FOR the purpose of altering certain requirements for certain bids or proposals for certain  
5 procurement contracts, and certain contracts for goods and services, to be awarded  
6 by the Washington Suburban Sanitary Commission having an expected degree of  
7 minority business enterprise participation; requiring the adoption of regulations  
8 requiring that certain bids or proposals include certain information on subcontract  
9 opportunities in certain subcontracts and the number of minority business  
10 enterprises that have certified certain matters under certain contracts and  
11 subcontracts; authorizing a prime contractor to include certain subcontractors in a  
12 certain calculation of a certain participation level; requiring certain regulations to  
13 require certain periodic reports on the number of minority business enterprises  
14 employed by certain contractors and subcontractors; requiring certain notification of  
15 the termination of certain contracts or subcontracts; requiring certain regulations to  
16 provide for an increase in minority business enterprise participation in certain  
17 contracting and subcontracting in all tiers; extending certain required reporting to  
18 include certain subcontracts; authorizing the Commission to require submission of a  
19 certain report that includes certain payments made to or withheld from certain  
20 minority business enterprise subcontractors; requiring the Commission to notify a  
21 certain contractor of certain noncompliance and state certain corrective action;  
22 authorizing the Commission to take certain corrective actions under certain  
23 circumstances; and generally relating to the Washington Suburban Sanitary  
24 Commission and minority business enterprise contracting.

25 BY repealing and reenacting, without amendments,  
26 Article – Public Utilities  
27 Section 20–201  
28 Annotated Code of Maryland  
29 (2010 Replacement Volume and 2017 Supplement)

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,  
2 Article – Public Utilities  
3 Section 20–203, 20–204, and 20–206  
4 Annotated Code of Maryland  
5 (2010 Replacement Volume and 2017 Supplement)

6 BY repealing and reenacting, without amendments,  
7 Article – State Finance and Procurement  
8 Section 14–301(a), (f), and (k)  
9 Annotated Code of Maryland  
10 (2015 Replacement Volume and 2017 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
12 That the Laws of Maryland read as follows:

13 **Article – Public Utilities**

14 20–201.

15 (a) In this subtitle the following words have the meanings indicated.

16 (b) Except as provided in § 20–203 of this subtitle, “minority business enterprise”  
17 means a legal entity that is:

18 (1) organized to engage in commercial transactions; and

19 (2) at least 51% owned and controlled by one or more individuals who are  
20 members of a group that is:

21 (i) disadvantaged socially or economically by the effects of past  
22 discrimination, including discrimination as to certification; and

23 (ii) identified by a study conducted in accordance with this subtitle  
24 or a similar, previously conducted study.

25 (c) “Office” means the Office of Supplier Diversity and Inclusion established  
26 under § 20–202 of this subtitle.

27 20–203.

28 (a) In this section, “minority business enterprise” has the meaning stated in §  
29 14–301 of the State Finance and Procurement Article.

30 (b) (1) By resolution and adopting regulations, the Commission shall establish  
31 a mandatory minority business enterprise utilization program to facilitate the participation  
32 of responsible certified minority business enterprises in contracts awarded by the  
33 Commission in accordance with its competitive bidding or proposal procedures under

1 Subtitle 1 of this title.

2 (2) The Office shall administer the program established under this  
3 subsection.

4 (c) Regulations that establish the program under subsection (b) of this section  
5 shall include provisions that:

6 (1) recognize the certification of minority business enterprises by the State  
7 certification agency designated under § 14-303(b) of the State Finance and Procurement  
8 Article;

9 (2) recognize any other certification program that the Commission  
10 determines substantially duplicates the requirements of the State certification agency;

11 (3) provide for the graduation of a minority business enterprise from the  
12 program if the Commission determines that the minority business enterprise no longer  
13 requires the assistance or benefits offered by the program;

14 (4) at the time of submission, require a bid or proposal based on a  
15 solicitation with an expected degree of minority business enterprise participation, **IN BOTH**  
16 **FIRST-TIER AND LOWER-TIER SUBCONTRACTS**, to include proof of a certified minority  
17 business enterprise commitment by stating:

18 (i) the potential subcontract opportunities available in the prime  
19 procurement contract, **PROCUREMENT SUBCONTRACTS, AND ANY LOWER-TIER**  
20 **SUBCONTRACTS**; and

21 (ii) the number of minority business enterprises that have certified,  
22 under the penalties for perjury, that the minority business enterprise has entered into an  
23 agreement with the bidder or offeror to provide goods or services under specific terms  
24 outlined in the certification, **UNDER THE PRIME PROCUREMENT CONTRACT AND ANY**  
25 **PROCUREMENT AND OTHER SUBCONTRACTS**;

26 (5) **AUTHORIZE A PRIME CONTRACTOR, AND ANY HIGHER-TIER**  
27 **SUBCONTRACTOR, TO INCLUDE LOWER-TIER SUBCONTRACTORS IN THE**  
28 **CALCULATION OF THE EXPECTED DEGREE OF PARTICIPATION UNDER ITEM (4) OF**  
29 **THIS SUBSECTION**;

30 (6) require each general contractor to submit to the Commission monthly  
31 reports of the number of minority business enterprises employed by the general contractor  
32 **AND EACH SUBCONTRACTOR, INCLUDING LOWER-TIER SUBCONTRACTORS**;

33 **[(6)] (7)** require each general contractor to provide prompt notification to  
34 the Commission if a contract **OR SUBCONTRACT** with a minority business enterprise is  
35 terminated;

1            ~~[(7)] (8)~~        require each general contractor to:

2                            (i)        maintain a participation level from minority business  
3 enterprises that is consistent with the participation level referenced under item (4)(ii) of  
4 this subsection; or

5                            (ii)       provide justification for the inability of the general contractor to  
6 maintain the participation level;

7            ~~[(8)] (9)~~        provide for an increase in minority business enterprise  
8 participation as general contractors and subcontractors **IN ALL TIERS**; and

9            ~~[(9)] (10)~~       authorize the waiver of all or part of the program for a specific  
10 contract if the Commission determines that applying the program to the contract would  
11 conflict with the overall objectives and responsibilities of the Commission.

12            (d)        Before accepting an alternative certification program under subsection (c)(2)  
13 of this section, the Commission shall examine the alternative program to ensure that the  
14 alternative program complies with the guidelines established under § 20–205 of this  
15 subtitle.

16 20–204.

17            (a)        (1)        By resolution and adopting regulations, the Commission shall establish  
18 a minority business enterprise utilization program to facilitate the participation of  
19 responsible certified minority business enterprises in contracts awarded by the  
20 Commission for goods and services that are not covered under § 20–203 of this subtitle, if  
21 the Commission determines that:

22                            (i)        minority business enterprises are underrepresented in the  
23 award of these contracts due to the effects of past discrimination; and

24                            (ii)       a program is necessary to remedy the effects of this past  
25 discrimination.

26                            (2)        The Office shall administer the program established under this  
27 subsection.

28            (b)        Regulations that establish the program under subsection (a) of this section  
29 shall include provisions that:

30                            (1)        recognize the certification of minority business enterprises by the State  
31 certification agency designated under § 14–303(b) of the State Finance and Procurement  
32 Article;

33                            (2)        recognize any other certification program that the Commission

1 determines substantially duplicates the requirements of the State certification agency;

2 (3) provide for the graduation of a minority business enterprise from the  
3 program if the Commission determines that the minority business enterprise no longer  
4 requires the assistance or benefits offered by the program;

5 (4) at the time of submission, require a bid or proposal based on a  
6 solicitation with an expected degree of minority business enterprise participation, **IN BOTH**  
7 **FIRST-TIER AND LOWER-TIER SUBCONTRACTS**, to include proof of a certified minority  
8 business enterprise commitment by stating:

9 (i) the potential subcontract opportunities available in the prime  
10 procurement contract, **PROCUREMENT SUBCONTRACTS, AND ANY LOWER-TIER**  
11 **SUBCONTRACTS**; and

12 (ii) the number of minority business enterprises that have certified,  
13 under the penalties for perjury, that the minority business enterprise has entered into an  
14 agreement with the bidder or offeror to provide goods or services under specific terms  
15 outlined in the certification, **UNDER THE PRIME PROCUREMENT CONTRACT AND ANY**  
16 **PROCUREMENT AND OTHER SUBCONTRACTS**;

17 (5) **AUTHORIZE A PRIME CONTRACTOR, AND ANY HIGHER-TIER**  
18 **SUBCONTRACTOR, TO INCLUDE LOWER-TIER SUBCONTRACTORS IN THE**  
19 **CALCULATION OF THE EXPECTED DEGREE OF PARTICIPATION UNDER ITEM (4) OF**  
20 **THIS SUBSECTION**;

21 (6) require each general contractor to submit to the Commission monthly  
22 reports of the number of minority business enterprises employed by the general contractor  
23 **AND EACH SUBCONTRACTOR, INCLUDING LOWER-TIER SUBCONTRACTORS**;

24 **[(6)] (7)** require each general contractor to provide prompt notification to  
25 the Commission if a contract **OR SUBCONTRACT** with a minority business enterprise is  
26 terminated;

27 **[(7)] (8)** require each general contractor to:

28 (i) maintain a participation level from minority business  
29 enterprises that is consistent with the participation level referenced under item (4)(ii) of  
30 this subsection; or

31 (ii) provide justification for the inability of the general contractor to  
32 maintain the participation level;

33 **[(8)] (9)** provide for minority business enterprise participation through  
34 subcontracting **IN ALL TIERS**;

1            **[(9)] (10)** (i) authorize the waiver of all or part of the program for a  
2 specific contract if the Commission determines that applying the program to the contract  
3 would conflict with the overall objectives and responsibilities of the Commission; and

4            (ii) require the Commission to report annually to the Montgomery  
5 County and Prince George's County Senate and House Delegations to the Maryland  
6 General Assembly on any waivers granted under this subsection;

7            **[(10)] (11)** except as provided in item **[(11)] (12)** of this subsection, provide  
8 for a system of granting a preference of up to the lesser of 5% or \$50,000 to minority  
9 business enterprises in evaluating bids or proposals;

10           **[(11)] (12)** subject to subsection (d) of this section, establish a sheltered  
11 market program in which bidding on procurement contracts designated by the Commission  
12 as appropriate is restricted to certified minority business enterprises;

13           **[(12)] (13)** require the solicitation document accompanying each solicitation  
14 to set forth the regulations that establish the program;

15           **[(13)] (14)** require the geographic location and the principal place of  
16 business of the minority business enterprise to be a consideration for participation in the  
17 program, including requiring Montgomery County businesses and Prince George's County  
18 businesses to each have a targeted percentage of at least 40% of any contracts; and

19           **[(14)] (15)** authorize the Commission to:

20           (i) refuse to recognize the certification of a business found to be in  
21 violation of the purposes of the program; and

22           (ii) permanently bar an active principal of a violating business from  
23 future participation in the program.

24           (c) Before accepting an alternative certification program under subsection (b)(2)  
25 of this section, the Commission shall examine the alternative program to ensure that:

26           (1) the alternative program complies with the guidelines established under  
27 § 20–205 of this subtitle; and

28           (2) the principal owner of an eligible minority business enterprise is in not  
29 more than one certified business that is participating in the Commission minority business  
30 enterprise utilization program under this section.

31           (d) (1) The sheltered market program established in subsection **[(b)(11)]**  
32 **(B)(12)** of this section may not be used until all less restrictive remedies under subsection  
33 (b) of this section and race-neutral remedies, including assistance with bonding

1 requirements, financing, or bidding procedures for small firms, have been used and  
2 determined to be ineffective.

3 (2) If at least three certified minority business enterprises bid on a contract  
4 under the sheltered market program, the Commission shall award the contract to the  
5 lowest bidder.

6 (3) If fewer than three certified minority business enterprises bid on a  
7 contract under the sheltered market program, the contract shall be awarded under  
8 subsection [(b)(10)] **(B)(11)** of this section.

9 20–206.

10 (a) The Office shall verify that a certified minority business enterprise listed in a  
11 schedule of participation is actually performing work and receiving compensation as  
12 established in the schedule.

13 (b) To facilitate the Office completing its duties under subsection (a) of this  
14 section, a contractor shall:

15 (1) allow the Office to inspect any relevant matter, including records and  
16 the job site;

17 (2) allow the Office to interview subcontractors and employees of the  
18 contractor;

19 (3) if performing a construction contract, ensure that subcontractors:

20 (i) are paid any undisputed amount to which the subcontractor is  
21 entitled as provided under § 15–226 of the State Finance and Procurement Article; and

22 (ii) comply with Commission regulations;

23 (4) include in the agreement with the certified minority business  
24 enterprise subcontractor a requirement that the subcontractor submit a monthly report to  
25 the Commission that:

26 (i) identifies the prime contract **AND ANY RELEVANT**  
27 **SUBCONTRACTS**; and

28 (ii) lists payments received from the contractor **OR HIGHER-TIER**  
29 **SUBCONTRACTOR** in the previous month and invoices sent to the contractor **OR**  
30 **HIGHER-TIER SUBCONTRACTOR** that have not been paid; and

31 (5) submit a monthly report to the Commission that lists:

1 (i) unpaid invoices that are more than 30 days old received from  
2 certified minority business enterprise subcontractors; and

3 (ii) the reason payments have not been made.

4 (c) (1) (i) On completion of a contract or before final payment or release of  
5 retainage, the Commission may require a general contractor on a contract having a  
6 minority business enterprise subcontracting goal to submit to the Commission a final  
7 report of all payments made to or withheld from minority business enterprise  
8 subcontractors, **EITHER DIRECTLY OR THROUGH A HIGHER-TIER SUBCONTRACTOR.**

9 (ii) The final report shall be in affidavit form and under the penalties  
10 for perjury.

11 (2) Each solicitation shall contain notice of the requirements of this  
12 subsection.

13 (d) (1) On a finding that a contractor is noncompliant, **DIRECTLY OR**  
14 **THROUGH A HIGHER-TIER SUBCONTRACTOR,** the Commission shall notify the  
15 contractor in writing of the findings and state the required corrective action.

16 (2) A noncompliant contractor shall:

17 (i) initiate the corrective action within 10 days after receiving the  
18 written notice; and

19 (ii) complete the corrective action within the time specified by the  
20 Commission.

21 (e) If the Commission finds that a general contractor is in material  
22 noncompliance with minority business enterprise contract provisions, **DIRECTLY OR**  
23 **THROUGH THE NONCOMPLIANCE OF A HIGHER-TIER SUBCONTRACTOR,** and the  
24 general contractor fails to take the corrective action required by the Commission, the  
25 Commission may:

26 (1) terminate the contract;

27 (2) refer the general contractor to the general manager of the Commission  
28 or the full Commission for appropriate action; or

29 (3) initiate any other specific remedy identified in the contract.

### 30 **Article – State Finance and Procurement**

31 14–301.

32 (a) In this subtitle the following words have the meanings indicated.

1 (f) “Minority business enterprise” means any legal entity, except a joint venture,  
2 that is:

3 (1) organized to engage in commercial transactions;

4 (2) at least 51% owned and controlled by 1 or more individuals who are  
5 socially and economically disadvantaged; and

6 (3) managed by, and the daily business operations of which are controlled  
7 by, one or more of the socially and economically disadvantaged individuals who own it.

8 (k) (1) Subject to paragraphs (2) and (3) of this subsection, and in accordance  
9 with the State’s most recent disparity study, “socially and economically disadvantaged  
10 individual” means a citizen or lawfully admitted permanent resident of the United States  
11 who is:

12 (i) in any of the following minority groups:

13 1. African American – an individual having origins in any of  
14 the black racial groups of Africa;

15 2. American Indian/Native American – an individual having  
16 origins in any of the original peoples of North America and who is a documented member  
17 of a North American tribe, band, or otherwise has a special relationship with the United  
18 States or a state through treaty, agreement, or some other form of recognition. This  
19 includes an individual who claims to be an American Indian/Native American and who is  
20 regarded as such by the American Indian/Native American community of which the  
21 individual claims to be a part, but does not include an individual of Eskimo or Aleutian  
22 origin;

23 3. Asian – an individual having origins in the Far East,  
24 Southeast Asia, or the Indian subcontinent, and who is regarded as such by the community  
25 of which the person claims to be a part;

26 4. Hispanic – an individual of Mexican, Puerto Rican, Cuban,  
27 Central or South American, or other Spanish culture or origin, regardless of race, and who  
28 is regarded as such by the community of which the person claims to be a part;

29 5. physically or mentally disabled – notwithstanding the  
30 State’s most recent disparity study, an individual who has an impairment that  
31 substantially limits one or more major life activities, who is regarded generally by the  
32 community as having such a disability, and whose disability has substantially limited his  
33 or her ability to engage in competitive business; or

34 6. women – a woman, regardless of race or ethnicity; or

1 (ii) otherwise found by the certification agency to be a socially and  
2 economically disadvantaged individual.

3 (2) There is a rebuttable presumption that an individual who is a member  
4 of a minority group under paragraph (1)(i) of this subsection is socially and economically  
5 disadvantaged.

6 (3) An individual whose personal net worth exceeds \$1,500,000, as  
7 adjusted annually for inflation according to the Consumer Price Index, may not be found to  
8 be economically disadvantaged.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
10 1, 2018.