

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 880 (Montgomery County and Prince George's County Delegations)
Commerce and Government Matters

**Washington Suburban Sanitary Commission - Construction Contracts -
Minority Business Enterprise Set-Aside Program
MC/PG 36-97**

This bill continues the authority of the Washington Suburban Sanitary Commission (WSSC) to operate its Minority Business Enterprise (MBE) program through July 1, 2001. Under current law, the MBE program sunsets July 1, 1997. By September 15, 2000, the WSSC must issue a report concerning implementation and administration of the MBE program to the Montgomery County and Prince George's County Senate and House Delegations.

This bill also establishes a sheltered market program under WSSC's MBE program, in which bidding or proposals on contracts designated by the WSSC is restricted to certified MBEs, if at least three bids or proposals are received from minority business contractors. The sheltered market program may not be used until all less restrictive remedies and race-neutral remedies have been used and found to be ineffective.

The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: None.

Local Effect: Expenditures by WSSC to administer its existing MBE program would continue at an estimated annual cost of \$196,700. Potential increase in contract costs associated with the new sheltered market program. Revenues would not be affected.

Small Business Effect: Potential meaningful impact on small businesses as discussed below.

Fiscal Analysis

Local Expenditures: By extending the sunset on the existing MBE program, expenditures by WSSC to administer its MBE program would continue at an estimated annual cost of \$196,700.

While the administrative costs of the new sheltered market program component of the MBE program could be handled with existing resources, the new program could result in increased contract costs by restricting competition on certain contracts designated by the WSSC. Any increase in costs cannot be reliably estimated at this time.

Small Business Effect: Since most minority businesses are small business, it is likely that most businesses affected by this program are also small businesses. Those small businesses affected by this program would continue to benefit from the existing MBE program.

In addition, small minority businesses may be awarded more contracts as a result of the new sheltered market program component. It is noted that minority small businesses compete with other small businesses.

While data on the number of firms involved in the program is not readily available, an average of over \$10 million per year in construction contracts were awarded to MBEs between fiscal 1993 and 1996 out of average total construction awards of over \$51 million per year. An average of over \$32 million per year in architecture and engineering, procurement, and professional services contracts combined were awarded to MBEs between fiscal 1993 and 1996 out of average total awards of over \$84 million per year.

Information Source(s): Washington Suburban Sanitary Commission, Department of Fiscal Services

Fiscal Note History: First Reader - March 3, 1997
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