

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 834 (Prince George's County and Montgomery County Delegations)
Commerce and Government Matters

**Washington Suburban Sanitary Commission - Construction Contracts -
Minority Business Enterprise Set-Aside Program
PG/MC 7-98**

This bill continues the authority of the Washington Suburban Sanitary Commission (WSSC) to operate its Minority Business Enterprise (MBE) program applicable to construction through July 1, 2001. Under current law, the program sunsets July 1, 1999.

The bill also establishes a sheltered market program under WSSC's MBE program applicable to construction, in which bidding on 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.

By September 15, 2000, the WSSC must issue a report concerning the implementation and administration of the MBE program, including the use of the sheltered market program, to the Montgomery County and Prince George's County Senate and House Delegations.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: None.

Local Effect: Expenditures by WSSC to administer its existing MBE program would continue at an estimated annual cost of \$205,000, plus a potential one-time cost of approximately \$200,000 for a study. Potential increase in contract costs associated with the new sheltered market program. Revenues would not be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Local Expenditures: By extending the sunset on WSSC's existing MBE program applicable to construction beyond July 1, 1999, expenditures by WSSC to administer its MBE program would continue. The estimated annual cost of operating WSSC's entire MBE program, including architecture and engineering, procurement, and professional services, is \$205,125. In addition, by extending the sunset for the construction program, there is a potential one-time cost of approximately \$200,000 for an impartial disparity or fact-finding study.

While the administrative costs of the new sheltered market program component of the MBE program for construction 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 businesses, 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 for construction.

In addition, small minority construction 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.

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

Fiscal Note History: First Reader - March 16, 1998

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