

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 155 (Delegate Stup)

Commerce and Government Matters

Human Relations Commission - Dry Cleaners and Laundries - Fair Pricing

This bill prohibits a dry cleaning business from discriminating against a consumer on the basis of gender through its garment pricing policies. The bill requires dry cleaning businesses to post a price list on the premises which clearly indicates the charge for cleaning individual garments.

Fiscal Summary

State Effect: None. Any additional workload for the Human Relations Commission as a result of this bill could be absorbed within existing resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Small Business Effect: It is assumed that most dry cleaners are organized as small businesses. There are two primary reasons that dry cleaners' profits may decline as a result of this bill: (1) dry cleaning businesses would be required to price according to an aggregate demand schedule for men and women; and (2) dry cleaning businesses would be required to post a price list.

Pricing According to An Aggregate Demand Schedule: According to economic theory, a profit maximizing business will set prices based on the consumers' willingness to pay for goods and services (the consumer demand schedule). To the extent that men and women have different consumer demand schedules for dry cleaning services, dry cleaners could realize additional profits by segmenting the market on the basis of gender and charging

different prices to each segment. Thus, dry cleaners which price women's garments based on women's willingness to pay for dry cleaning services and men's garments based on men's willingness to pay for dry cleaning would realize more profits than dry cleaners which aggregate the market and charge one price.

This bill requires dry cleaning businesses to price according to an aggregate demand schedule for men and women. Profits would decline for small dry cleaning businesses which currently segment the market based on gender and price accordingly. The degree to which profits would decline depends on the elasticities of demand.

It should be noted that some fabrics cost more to clean than others. If men and women tend to wear different types of fabrics, the average price charged per garment may still vary along gender lines. For example, if it costs more to clean a silk shirt than it does to clean a cotton shirt, and women tend to wear more silk than men, then women would still pay a higher average price per shirt. This price differential is a function of fabric, rather than gender.

Posting a Price List: This bill requires dry cleaners to post a price list. This requirement makes it easier for consumers to compare prices among competing dry cleaning businesses. More comparison shopping creates downward pressure on prices for dry cleaning services, which causes profits to decline. The degree to which profits would decline depends on the elasticities of demand and the number of dry cleaning businesses that currently post a sign.

Information Source: Human Relations Commission

Fiscal Note History: First Reader - February 5, 1998

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