

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 395 (Delegate Anderson, *et al.*)

Health and Government Operations Education, Health, and Environmental Affairs

Procurement - Contract Claim Disputes - Alternative Dispute Resolution Pilot Program

This bill requires the primary procurement units to develop an alternative dispute resolution (ADR) pilot program applying only to claims by small and minority businesses. The program must allow election by a party to proceed without representation by an attorney. The primary procurement units are required to report to the General Assembly by October 1, 2005 on the effectiveness and fiscal impact of, and recommendations about, the ADR program established by this Act.

Fiscal Summary

State Effect: General fund expenditures would increase by \$20,000 in FY 2005 for the Board of Public Works to train agency procurement staff and minority and small business contractors in the ADR program.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	-	20,000	-	-	-
Net Effect	\$0	(\$20,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential significant. Small and minority businesses may benefit from a less formal dispute resolution process that does not require the retention of attorneys or claims before the Maryland State Board of Contract Appeals (MSBCA).

Analysis

Background: MSBCA advises that it typically sustains five contract disputes and two bid protests annually.

State Fiscal Effect: Any expenditure increase for the primary procurement units to develop an ADR pilot program could be handled with existing resources. General fund expenditures could increase by \$20,000 for the Board of Public Works to train agency procurement staff and minority and small business contractors in the ADR program. These costs would likely be incurred in fiscal 2005 to allow start-up time for the primary procurement units to develop the pilot program.

Implementation of an ADR process could result in an increase and/or decrease in costs to primary procurement units due to the payment of claims under the ADR program that may or may not have been paid under the current claim process. Any such effect cannot be reliably estimated at this time.

Small Business Effect: Small and minority businesses may benefit from a less formal dispute resolution process that does not require the retention of attorneys or claims before MSBCA.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Board of Public Works, Department of Transportation, Department of Budget and Management, Board of Contract Appeals, Department of Legislative Services

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