

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**

House Bill 176 (Delegate Menes)  
Health and Government Operations

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**Procurement - Services Rendered in Foreign Country - Prohibition**

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This bill prohibits a State agency from awarding a procurement contract for services to be rendered by a contractor or subcontractor from a site outside of the United States, unless the services are related to an event occurring outside of the country or the Board of Public Works approves the procurement.

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**Fiscal Summary**

**State Effect:** This bill would not materially affect State government operations.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** There are no prohibitions against the State procuring services performed outside the United States. The State does have a requirement to buy domestic steel for certain public works projects. Economic benefit to the State is a minor criterion in evaluating bids for State services, but is not a significant factor in awarding contracts.

The Board of Public Works reviews all State contracts with a value greater than \$200,000. The board does not review University System of Maryland or Morgan State contracts.

**Background:** A recent article in *Stateline* magazine noted that the State of Wisconsin procures services to operate a call center from an Indian company. The article notes that wages in India are significantly lower than wages in the United States.

Control agencies indicate that there are no known contracts that would fall under the provisions of this bill. While no provisions exist in State law, there are several federal laws that limit or potentially supercede the State's authority to regulate international trade. Federal acts such as the North American Free Trade Agreement (NAFTA) and the law prohibiting the export of encryption software bear directly on the ability of the State to regulate foreign procurements.

**State Fiscal Effect:** The Department of Budget and Management (DBM) is the primary procurement unit for service contracts. DBM indicates that the nature of service contracts typically requires them to be performed in or near Maryland. The department estimates that some additional administrative cost is possible to verify that contractors and subcontractors are vending services inside the United States and questions whether particular vendors are subcontractors to the contractor or suppliers.

*The State Treasurer's Office, the Department of Public Safety and Correctional Services, and the Department of Transportation did not respond to a request for information.*

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of General Services, Board of Public Works, Morgan State University, Maryland State Treasurer's Office, University System of Maryland, Department of Transportation, Department of Budget and Management, Department of Public Safety and Correctional Services, Department of Legislative Services

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