

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 689 (Senator Jones, *et al.*)  
 Budget and Taxation

**State Debt - Enabling Acts - Minority Business Participation**

This bill requires enabling acts for general obligation bond grants over \$100,000 to include language that the grantee must attempt to use minority business enterprises (MBEs) to provide services or goods for the project equivalent to at least 25% of the State's investment in the project.

The bill requires grantees to report on their use of certified MBEs to the Department of General Services (DGS) on or before February 1 of each year until the full amount of the loan proceeds has been expended or the authorization terminates. DGS is required to report to the Governor and the General Assembly by March 1 of each year on the aggregate use of MBEs by grantees of State money from general obligation bonds in the prior year.

The bill takes effect June 1, 2004.

**Fiscal Summary**

**State Effect:** General fund expenditures could increase by \$49,500 in FY 2005 to monitor and collect MBE data from grantees. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	49,500	46,000	48,800	51,700	54,900
Net Effect	(\$49,500)	(\$46,000)	(\$48,800)	(\$51,700)	(\$54,900)

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

**Local Effect:** To the extent local jurisdictions are grantees, they would be required to attempt to use MBEs for projects and report on that use. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

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## Analysis

### Current Law:

#### *Enabling Acts*

Statute specifies the language required in enabling legislation for local bond bills. Provisions include specifying the amount of the grant, that the grants may be issued as separate or consolidated bond issuances, that the Treasurer shall pay the costs of the issuance before disbursing the funds, and that the grantee must provide the matching funds before disbursement occurs.

#### *MBE Program*

Chapter 339 of 2001 established the current overall goal of 25% for the total value of contracts being awarded to certified MBEs and separate goals of 7% for African-American businesses and 10% for women-owned businesses. Each procurement unit must: (1) implement a program enabling the unit to evaluate each contract to determine the appropriateness of the goal; and (2) meet the maximum feasible portion of the goals by using race neutral measures to facilitate MBE participation in the procurement process. Procurement units must annually report to the certification agency (the Maryland Department of Transportation) and the Office of Minority Affairs. The Board of Public Works (BPW) may adopt regulations requiring a unit of State government to require bidders and offerors to submit information necessary for a study of the program.

**State Fiscal Effect:** This bill would place additional monitoring responsibilities for over 400 grants with DGS. DGS estimates that approximately 100 additional grants are made annually that would require monitoring. The office currently has two positions.

General fund expenditures could increase by an estimated \$49,466 in fiscal 2005, which accounts for the bill's June 1, 2004 effective date. This estimate reflects the cost of hiring one administrative officer in the DGS Grant Administration Office to monitor MBE participation under the terms of the grant award and collect data for submission

with the department's annual MBE report. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$42,836
Operating Expenses	<u>6,630</u>
<b>Total FY 2005 State Expenditures</b>	<b>\$49,466</b>

Future year expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

**Local Fiscal Effect:** To the extent that local jurisdictions are grantees, expenditures related to monitoring the use of funds could increase due to possible reporting requirements regarding MBEs.

**Small Business Effect:** Small business MBEs could benefit from increased business opportunities. To the extent that small businesses are grantees, expenditures related to monitoring use of funds may increase due to possible reporting requirements regarding MBEs. No local bond bills were authorized for fiscal 2003 or 2004; however, the General Assembly preauthorized \$30.4 million for fiscal 2005 at the 2003 session. For fiscal 2002, the General Assembly authorized \$24.5 million in local bond bills.

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### Additional Information

**Prior Introductions:** In 2003, SB 533, a similar bill, was referred to the Senate Budget and Taxation Committee, where no action was taken.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, Department of General Services, Department of Legislative Services

**Fiscal Note History:** First Reader - March 19, 2004  
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