

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 755 (Senator Conway)
 Education, Health, and Environmental Affairs

Procurement - Minority Business Participation Program - Impact of Goals on Nonprofit Entities

This bill requires the Maryland Department of Transportation (MDOT) and the Special Secretary for the Office of Minority Affairs to study the Minority Business Participation Program as it relates to nonprofit entities and to assess the impact of the goals of the Minority Business Participation Program on nonprofit entities, particularly on their ability to compete for and be awarded contracts valued under \$200,000 that provide direct services to persons. MDOT and the Special Secretary must report to the Governor and the General Assembly by December 1, 2005 with any findings and recommendations for revisions to the State procurement law or regulations.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures would increase by \$40,000 in FY 2006 to provide a consultant to perform the study required by the bill. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	40,000	0	0	0	0
Net Effect	(\$40,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Minority Business Enterprise (MBE) program aims for 25% of all State procurement dollars to go to certified MBEs, including a goal of 7% to African-American owned businesses and 10% to women-owned businesses. The statute provides that a minority business enterprise must be at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged. These individuals must also manage the daily business operations of MBE. The statute also includes a not-for-profit entity organized to promote the interests of physically or mentally disabled individuals in the definition of MBE.

Background: The Governor's Office for Minority Affairs has published statistics pertaining to MBE participation levels in State procurement spending. **Exhibit 1** shows participation levels for fiscal 1998 through 2003, the most recent data available. The Governor's Office for Minority Affairs indicates that MBE not-for-profit organizations accounted for 1.57% and 1.7% of total procurement dollars in fiscal 2002 and 2003, respectively.

Exhibit 1 MBE Participation Levels in Procurement Spending

Fiscal Year	Total State Procurement Spending	Total Minority Business Participation	Total Minority Business Participation	Not-for-profit Enterprise Participation	Women-owned Business Participation
1998	\$2,813,739,071	\$570,556,854	20.28%	3.60%	3.51%
1999	3,398,761,724	686,848,909	20.21%	5.52%	3.96%
2000	3,131,160,829	461,610,516	14.74%	Not Available	Not Available
2001	4,350,069,637	833,072,071	19.15%	Not Available	Not Available
2002	4,263,166,146	704,186,039	16.52%	4.50%	5.20%
2003	3,690,826,714	576,863,620	15.63%	5.36%	4.95%

Source: Governor's Office of Minority Affairs, Department of Legislative Services

State Fiscal Effect: An outside consultant would be required by MDOT to perform a study of this scope. Special fund expenditures would increase by \$40,000 to provide for the consultant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Governor's Office, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2005
ncs/hlb

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