

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 589

(Senators Colburn and Hooper)

Education, Health, and Environmental Affairs

Ways and Means

Education - Procurement - Reciprocal Preferences for Resident Bidders or
Resident Offerors

This bill provides that for school construction and textbook contracts procured by competitive sealed bids, local boards of education may give a preference to resident bidders if the nonresident bidders are from states with a preference for resident bidders. The preference may be equivalent to the preference given by the State of the nonresident bidders to resident bidders. The bill also provides for a similar price preference for contracts procured by competitive sealed proposals.

Fiscal Summary

State Effect: State funding for school construction and supplies would not change. While contract costs may increase from a price preference, the total amount spent on school construction and supplies may not increase.

Local Effect: Local expenditures for school construction and textbooks could increase depending on whether local boards of education grant a preference to resident bidders. Revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: School construction and supply contracts are not subject to any price preferences. State procurement statutes provide for price preferences for the use of recycled products, Blind Industries, State Use Industries, small businesses, Minority

Business Enterprises, mercury-free products, and low noise supplies. For competitive sealed bid contracts, State procurement units may impose a price preference for resident bidders, similar to the method in this bill.

Background: The State is funding \$127.5 million in school construction costs in fiscal 2005, affecting over 106 projects. Local school expenditures for textbooks and instructional supplies total approximately \$158.6 million in fiscal 2003.

State Fiscal Effect: Although costs for some projects would increase due to the preference, the bill would not result in additional funding for public school construction. School construction funding is appropriated by the State in a lump sum, and the Board of Public Works, with the aid of the Interagency Committee on Public School Construction and the Public School Construction Program, decides which construction projects to fund with the appropriation. It is possible, however, that the bill could reduce the total number of projects that are approved each year.

Local Fiscal Effect: Overall school construction funding from the State would not be altered by the bill; however, the allocation of State funding could be impacted by the legislation. Local jurisdictions provide a match for State school construction funding through the State/local shared cost formula. Jurisdictions pay 3% to 50% of eligible State school construction costs, with more wealthy jurisdictions generally providing a greater local share. To the extent that the bill results in a redistribution of State funds, local funding would also be impacted.

The increase in cost associated with a price preference may decrease the number of school construction projects requested by a local jurisdiction, however, it is not likely to affect the total level of school construction funds requested for State matching.

Additionally, the cost for contracts for textbooks and supplies could increase with the potential imposition of a price preference. In that the bill allows for a preference equal in magnitude to a preference of another state, it is impossible to reliably estimate the cost of the provisions of the bill. However, *for illustrative purposes*, local school districts spent \$158.6 million on textbook and supply contracts in the 2002-2003 school year. If 50% of these contracts were subject to a reciprocal price preference of 5%, costs could have increased up to \$4.0 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Wicomico County, Allegany County, Montgomery County, Prince George's County, Talbot County, Maryland Association of Boards of Education, Maryland State Department of Education, Public School Construction Program, Baltimore City, Department of Legislative Services

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