

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 910 (Senator Jones)  
Education, Health, and Environmental Affairs

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**University of Maryland Medical System - Minority Business Enterprise  
Procurement Activities**

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This bill clarifies that the University of Maryland Medical System (UMMS) must abide by the standards of the minority business enterprise (MBE) program in State law. It also requires UMMS to submit its procurement policies and procedures, including those related to MBE purchasing, to the Board of Public Works (BPW) for approval. UMMS must include information on its MBE purchasing activities in its annual report.

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**Fiscal Summary**

**State Effect:** None. BPW can carry out the bill's oversight responsibilities with existing resources.

**Local Effect:** None.

**Small Business Effect:** None. The bill clarifies an existing requirement that UMMS abide by the MBE program standards.

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**Analysis**

**Current Law:** UMMS is an independent, nonprofit organization that is not a State agency, political subdivision, public body, or public corporation. It is not subject to any provisions of law affecting only governmental or public entities. However, it must conduct its procurement activities consistent with minority purchasing standards applicable to State agencies.

The State MBE program establishes a goal that 25% of the value of all State procurement awards should go to certified MBEs, including a goal of 7% to African American-owned businesses and 10% to women-owned businesses. State agencies are encouraged to meet the MBE program goals through race-neutral procurement policies and outreach efforts to MBEs. There are no statutory penalties for agencies that fail to meet the MBE program goals.

An MBE is a legal entity, other than a joint venture, that is:

- organized to engage in commercial transactions;
- at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged; and
- managed by, and the daily business operations of which are controlled by, one or more of the socially and economically disadvantaged individuals who own it.

MBEs include not-for-profit entities organized to promote the interests of physically or mentally disabled individuals.

A socially and economically disadvantaged individual is defined as a citizen or legal U.S. resident who is African American, Native American, Asian, Hispanic, physically or mentally disabled, a woman, or otherwise found by the State's MBE certification agency to be socially and economically disadvantaged.

A socially disadvantaged individual is someone who has been subject to racial or ethnic prejudice or cultural bias within American society because of their membership in a group and without regard to individual qualities. An economically disadvantaged individual is someone who is socially disadvantaged whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities compared with those who are not socially disadvantaged. An individual with a personal net worth in excess of \$1.5 million is not considered economically disadvantaged.

**Background:** In September 2006 and January 2007, the Maryland Minority Contractors Association, Inc. sent letters to BPW and the Office of the Attorney General alleging that UMMS had violated Maryland's MBE program regulations. The letters allege that UMMS has not extended invitations for bids to minority-owned businesses and has restricted the bidding to businesses owned by nonminorities in violation of State law.

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1375 (Delegate Tarrant, *et al.*) – Rules and Executive Nominations.

**Information Source(s):** Department of General Services, Board of Public Works, Governor's Office, University of Maryland Medical System, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2007  
ncs/rhh

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