

HOUSE BILL 440

P2

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By: **Delegates Rosenberg, Harrison, Kirk, Krysiak, Love, Manno, McHale, and Taylor**

Introduced and read first time: January 29, 2008

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Procurement – Service Contracts – Notice to State Employees and Exclusive**
3 **Representatives**

4 FOR the purpose of requiring the Board of Public Works to ensure that certain
5 procurement regulations provide for procedures that are consistent with certain
6 provisions of law; requiring that notice of certain rights be given to certain
7 employees and their exclusive representatives at certain points in the
8 procurement process; providing that certain notice requirements must be met
9 for certain service contracts to be certified; authorizing the Department of
10 General Services and the Department of Budget and Management to adopt
11 certain regulations; requiring a procurement unit in the Executive Branch of
12 the State government to include certain information in certain required plans
13 of assistance; defining certain terms; and generally relating to notice
14 requirements for certain service contracts with the State.

15 BY repealing and reenacting, without amendments,
16 Article – State Finance and Procurement
17 Section 11–101(a) and (d) and 13–218(a)
18 Annotated Code of Maryland
19 (2006 Replacement Volume and 2007 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article – State Finance and Procurement
22 Section 12–101(b)
23 Annotated Code of Maryland
24 (2006 Replacement Volume and 2007 Supplement)

25 BY adding to
26 Article – State Finance and Procurement
27 Section 13–218.1

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland
2 (2006 Replacement Volume and 2007 Supplement)

3 BY repealing and reenacting, without amendments,
4 Article – State Personnel and Pensions
5 Section 13–401, 13–402, and 13–403
6 Annotated Code of Maryland
7 (2004 Replacement Volume and 2007 Supplement)

8 BY repealing and reenacting, with amendments,
9 Article – State Personnel and Pensions
10 Section 13–404 and 13–405
11 Annotated Code of Maryland
12 (2004 Replacement Volume and 2007 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
14 MARYLAND, That the Laws of Maryland read as follows:

15 **Article – State Finance and Procurement**

16 11–101.

17 (a) In this Division II the following words have the meanings indicated
18 unless:

19 (1) the context clearly requires a different meaning; or

20 (2) a different definition is provided for a particular title or provision.

21 (d) “Board” means the Board of Public Works.

22 12–101.

23 (b) (1) The Board may control procurement by units.

24 (2) To implement the provisions of this Division II, the Board may:

25 (i) set policy;

26 (ii) adopt regulations, in accordance with Title 10, Subtitle 1 of
27 the State Government Article; and

28 (iii) establish internal operational procedures consistent with
29 this Division II.

30 (3) The Board shall ensure that the regulations of the primary
31 procurement units provide for procedures that are consistent with this Division II **AND**

1 **TITLE 13, SUBTITLE 4 OF THE STATE PERSONNEL AND PENSIONS ARTICLE** and,
2 to the extent the circumstances of a particular type of procurement or a particular unit
3 do not require otherwise, are substantially the same.

4 (4) The Board may delegate any of its authority that it determines to
5 be appropriate for delegation and may require prior Board approval for specified
6 procurement actions.

7 (5) Except as limited by the [State] **MARYLAND** Constitution, the
8 Board may exercise any control authority conferred on a primary procurement unit by
9 this Division II and, to the extent that its action conflicts with the action of the
10 primary procurement unit, the action of the Board shall prevail.

11 (6) The Board, with the assistance of the Department of Budget and
12 Management, shall compile comprehensive statistics on the procurement system by
13 agency, amount, and type of procurement.

14 (7) The Board shall develop and submit to the General Assembly, in
15 accordance with § 2-1246 of the State Government Article, an annual report on the
16 procurement system that includes information on actions necessary to improve
17 effective broad-based competition in procurement.

18 13-218.

19 (a) Each procurement contract shall include clauses covering:

20 (1) termination for default;

21 (2) termination wholly or partly by the State for its convenience if the
22 head of the primary procurement unit determines that termination is appropriate;

23 (3) variations that occur between estimated and actual quantities of
24 work in a procurement contract;

25 (4) liquidated damages, as appropriate;

26 (5) specified excuses for nonperformance;

27 (6) except for real property leases, the unilateral right of the State to
28 order in writing:

29 (i) changes in the work, if the changes are within the scope of
30 the procurement contract; and

31 (ii) a temporary stop or delay in performance;

1 (7) the obligation of the contractor to comply with the political
2 contribution reporting requirements under Title 14 of the Election Law Article, to
3 which the contractor may be subject as required under § 17-402 of this article; and

4 (8) nonvisual access for information technology as required under §
5 3-412 of this article.

6 **13-218.1.**

7 (A) IN THIS SECTION, "SERVICE CONTRACT" HAS THE MEANING STATED
8 IN § 13-401 OF THE STATE PERSONNEL AND PENSIONS ARTICLE.

9 (B) AT LEAST 90 DAYS BEFORE THE ISSUANCE OF A SOLICITATION FOR
10 A SERVICE CONTRACT THAT IS NOT EXEMPT UNDER § 13-403(C) OR § 13-404(B)
11 OF THE STATE PERSONNEL AND PENSIONS ARTICLE, THE UNIT SHALL PROVIDE
12 EMPLOYEES WHO MAY BE AFFECTED BY THE SERVICE CONTRACT AND THEIR
13 EXCLUSIVE REPRESENTATIVES WITH WRITTEN NOTICE OF:

14 (1) WORK THAT IS BEING PROPOSED FOR CONTRACTING; AND

15 (2) CONTRACTING PROCEDURES, REQUIREMENTS, TIMETABLES,
16 AND EMPLOYEE RIGHTS AS PROVIDED IN TITLE 13, SUBTITLE 4 OF THE STATE
17 PERSONNEL AND PENSIONS ARTICLE.

18 **Article - State Personnel and Pensions**

19 13-401.

20 (a) In this subtitle the following words have the meanings indicated.

21 (b) "Service contract" means a procurement contract for services that:

22 (1) will be provided to a unit in the Executive Branch of State
23 government;

24 (2) will be performed within a State-operated facility; and

25 (3) in the estimation of the procurement officer, will exceed an annual
26 cost of \$100,000.

27 (c) "Services" has the meaning stated in § 11-101 of the State Finance and
28 Procurement Article.

29 (d) "Unit" has the meaning stated in § 11-101 of the State Finance and
30 Procurement Article.

1 13-402.

2 The policy of this State is to use State employees to perform all State functions
3 in State-operated facilities in preference to contracting with the private sector to
4 perform those functions.

5 13-403.

6 (a) A service contract may be entered into only as approved by the Board of
7 Public Works in accordance with this subtitle.

8 (b) Except as provided in subsection (c) of this section, the Board of Public
9 Works may approve a service contract for a unit only if the Board receives a
10 certification from the Department that:

11 (1) the service contract is exempt under § 13-404(b) of this subtitle; or

12 (2) the unit has complied with the requirements of § 13-404(c) of this
13 subtitle.

14 (c) If the General Assembly authorizes or requires that certain services be
15 performed by an independent contractor, the Board of Public Works may approve a
16 service contract for those services without the certification required by subsection (b)
17 of this section.

18 13-404.

19 (a) The Department may certify a service contract to the Board of Public
20 Works as provided in this section.

21 (b) The Department may certify a service contract as being exempt from the
22 preference stated in § 13-402 of this subtitle if:

23 (1) State employees are not available to perform the services;

24 (2) a conflict of interest would result if a State employee were to
25 perform the services;

26 (3) the nature of the services meets the standards set by the
27 Department for emergency appointments;

28 (4) the services are incidental to the purchase or lease of personal
29 property or real property, such as a service agreement that is part of the purchase or
30 rental of computers or office equipment; or

31 (5) a clear need exists to obtain an unbiased finding or opinion, such
32 as an expert witness in litigation.

1 (c) The Department may certify a service contract that is not exempt under
2 subsection (b) of this section only if[

3 (1) the unit that seeks to enter into the service contract has complied
4 with § 13-405 of this subtitle; and

5 (2)] the Department finds that:

6 (1) **THE UNIT THAT SEEKS TO ENTER INTO THE SERVICE**
7 **CONTRACT HAS COMPLIED WITH § 13-405 OF THIS SUBTITLE;**

8 [(i)] (2) the potential economic advantage of entering into the
9 service contract is not outweighed by the preference stated in § 13-402 of this subtitle;

10 [(ii)] (3) the service contract does not adversely affect the
11 affirmative action efforts of this State;

12 [(iii)] (4) the service contract includes adequate control
13 mechanisms to ensure that the services will be performed in accordance with the
14 service contract; [and

15 (iv)] (5) the service contract complies with all of the
16 requirements of Division II of the State Finance and Procurement Article; **AND**

17 (6) **AT LEAST 15 DAYS BEFORE CERTIFYING THE SERVICE**
18 **CONTRACT, THE DEPARTMENT HAS NOTIFIED EMPLOYEES WHO MAY BE**
19 **AFFECTED BY THE SERVICE CONTRACT AND THEIR EXCLUSIVE**
20 **REPRESENTATIVES IN WRITING OF THE FOLLOWING:**

21 (I) **THE DEPARTMENT'S INTENT TO CERTIFY THE SERVICE**
22 **CONTRACT;**

23 (II) **THAT EMPLOYEES AND THEIR EXCLUSIVE**
24 **REPRESENTATIVES MAY REVIEW AND RECEIVE A COPY, AT NO CHARGE, OF THE**
25 **SERVICE CONTRACT, THE PROPOSED CERTIFICATION, AND THE INFORMATION**
26 **RELIED ON BY THE DEPARTMENT IN MAKING THE PROPOSED CERTIFICATION;**
27 **AND**

28 (III) **THAT EMPLOYEES AND THEIR EXCLUSIVE**
29 **REPRESENTATIVES MAY SUBMIT COMMENTS TO THE DEPARTMENT REGARDING**
30 **THE PROPOSED CERTIFICATION.**

31 (D) **THE DEPARTMENT OF GENERAL SERVICES AND THE DEPARTMENT**
32 **OF BUDGET AND MANAGEMENT MAY ADOPT REGULATIONS TO CARRY OUT THE**
33 **REQUIREMENTS OF THIS SECTION.**

1 **(E) (1) WHEN A NONEXEMPT SERVICE CONTRACT UNDER**
2 **SUBSECTION (C) OF THIS SECTION IS CERTIFIED, THE DEPARTMENT SHALL**
3 **NOTIFY EMPLOYEES WHO MAY BE AFFECTED BY THE SERVICE CONTRACT AND**
4 **THEIR EXCLUSIVE REPRESENTATIVES IN WRITING OF THE EMPLOYEES' AND**
5 **THEIR EXCLUSIVE REPRESENTATIVES' RIGHT TO:**

6 **(I) RECEIVE, WITHOUT CHARGE, A COPY OF THE**
7 **CERTIFICATION DOCUMENT AND THE SERVICE CONTRACT; AND**

8 **(II) COMMENT ON THE CERTIFICATION AND THE SERVICE**
9 **CONTRACT BEFORE THE BOARD OF PUBLIC WORKS.**

10 **(2) THE DEPARTMENT'S NOTIFICATION TO EMPLOYEES AND**
11 **THEIR EXCLUSIVE REPRESENTATIVES REQUIRED BY PARAGRAPH (1) OF THIS**
12 **SUBSECTION MUST BE PERFORMED AT LEAST 15 DAYS BEFORE THE SERVICE**
13 **CONTRACT IS CONSIDERED BY THE BOARD OF PUBLIC WORKS.**

14 13-405.

15 (a) A unit that seeks to enter into a service contract that is not exempt under
16 § 13-403(c) or § 13-404(b) of this subtitle shall submit to the Department the
17 information required by this section.

18 (b) The unit shall submit a demonstration that the unit has taken formal
19 and positive steps to consider alternatives to the service contract, including
20 reorganization, reevaluation of service, and reevaluation of performance.

21 (c) (1) The unit shall submit calculations that:

22 (i) compare the cost of the service contract with the cost of
23 using State employees; and

24 (ii) show savings to this State, over the duration of the service
25 contract, of 20% of the contract or \$200,000, whichever is less.

26 (2) In calculating the cost comparison required by this subsection, a
27 unit shall include:

28 (i) direct costs, including fringe benefits;

29 (ii) indirect overhead costs, including the proportional share of
30 existing administrative salaries and benefits, rent, equipment costs, utilities, and
31 materials, but only to the extent that those costs are attributed solely to the service in
32 question and would not exist if the service were not performed by State employees;

1 (iii) any continuing or transitional costs that would be directly
2 associated with contracting for the services, including unemployment compensation
3 and the cost of transitional services; and

4 (iv) additional costs of performance of the services by State
5 employees, including salaries and benefits of additional staff and the cost of additional
6 space, equipment, and materials needed to perform the services.

7 (d) (1) The unit shall submit a formal plan of assistance for all State
8 employees who will be adversely affected by the service contract.

9 (2) The plan of assistance shall include:

10 (i) efforts to place affected employees in vacant positions in the
11 unit or in another unit;

12 (ii) provisions in the service contract, if feasible, for the hiring
13 by the contractor of displaced employees; and

14 (iii) prior notification to affected employees [by the earlier of:

15 1. the day the contract is signed; or

16 2. 6 months before the day the adverse effect will occur]

17 **IN ACCORDANCE WITH § 13-218.1 OF THE STATE FINANCE AND PROCUREMENT**
18 **ARTICLE AND § 13-404 OF THIS ARTICLE.**

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2008.