

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

Senate Bill 847 (Senators Conway and Gladden)

Education, Health, and Environmental Affairs

Health and Government  
Operations

---

**Task Force on the Minority Business Enterprise Program and Equity Investment Capital**

---

This bill establishes a Task Force on the Minority Business Enterprise Program and Equity Investment Capital, jointly staffed by the Department of General Services (DGS) and the Maryland Department of Transportation (MDOT). Members of the commission are not entitled to compensation but may be reimbursed for their expenses. The task force must report its recommendations to the Governor and the General Assembly and develop draft legislation by December 1, 2009.

The bill takes effect October 1, 2008 and terminates December 1, 2009.

---

**Fiscal Summary**

**State Effect:** DGS and MDOT can handle staffing responsibilities and expense reimbursements with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

---

**Analysis**

**Current Law:** The State's Minority Business Enterprise (MBE) program establishes a goal that at least 25% of the total dollar value of each agency's procurement contracts be awarded to MBEs, including 7% to African American-owned businesses and 10% to

women-owned businesses. There are no penalties for agencies that fail to reach these targets. Instead, agencies are required to use race-neutral strategies to encourage greater MBE participation in State procurement.

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:** Private equity firms invest in nonpublic companies with the intent of earning a return from the companies' cash flow and from the proceeds generated by selling or merging their holdings after several years. They are distinguished from venture capital firms by their focus on more mature companies with a strong potential for growth. Venture capital firms tend to focus on start-up companies.

A study conducted in 2000 by the Milken Institute and the U.S. Department of Commerce found that the annual growth rate for minority-owned firms was 17%, or six times the growth rate of all firms. Yet, the study found that minority-owned firms receive just 2% of all investments made by private equity firms.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of General Services, Maryland Department of Transportation, privateequityinfo.com, Milken Institute, Department of Legislative Services

**Fiscal Note History:** First Reader - March 13, 2008  
mll/rhh

---

Analysis by: Michael C. Rubenstein

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510