

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1470

(Chair, Health and Government Operations
Committee)(By Request - Departmental - Minority
Affairs, Office of)

Health and Government Operations

Recipients of Grants, Loans, or Financial Assistance - Reporting Requirements

This departmental bill requires that any entity that receives a grant, loan, or financial assistance of at least \$100,000 from the State for a capital project report annually on the number and value of contracts between the entity and certified minority business enterprises (MBEs). The reports must also detail MBE outreach efforts and any other information required by the Governor's Office of Minority Affairs (GOMA). Recipients of State financial assistance must submit their reports to the department or unit that provided the assistance and to GOMA within 60 days after the end of each fiscal year. All recipients of grants funded by the proceeds of general obligation bonds must also submit a copy of the report to the Board of Public Works (BPW).

Fiscal Summary

State Effect: None. State agencies that provide financial assistance can monitor compliance with the bill's reporting requirements with existing resources.

Local Effect: Local governments that receive State grants and other financial assistance for capital projects will have to provide the required reports. To the extent that the bill encourages local governments to increase their outreach to, and contracting with, certified MBEs, it may increase the administrative burden and procurement costs for local governments. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: GOMA has determined that this bill has minimal or no impact on small business (attached). Legislative Services disagrees with this assessment as discussed below.

Analysis

Current Law: Recipients of State grants, loans, or financial assistance are not required to report to the State on their use of certified MBEs.

Within 90 days of the end of each fiscal year, each State procurement unit must report to GOMA and the Maryland Department of Transportation regarding the number and value of procurement contracts it entered into with certified MBEs, and the percentage that those contracts represent of the total number and value of contracts for the fiscal year just ended.

Background: The bulk of State funding for capital projects is contained within the State's capital budget. The size and number of State grants, loans, and financial assistance provided each year by programs funded by the capital budget vary, so Legislative Services cannot determine how many entities are affected by this bill. At a minimum, the reporting requirement extends to recipients of grants or loans in excess of at least \$100,000 for capital projects from any of the dozens of grant programs included in the fiscal 2010 capital budget, including but not limited to the Public School Construction Program (\$260 million); the Community College Grant Program (\$84 million); private hospitals (\$5 million); private colleges (\$8 million); and numerous nonprofit and private organizations through legislative initiative grants (\$15 million) and other grants (\$58 million). To the extent that funds are for capital projects and exceed \$100,000, the bill may also apply to:

- recipients of loans or financial assistance from the Department of Housing and Community Development to support home ownership and/or community development; and
- recipients of loans, grants, financial assistance, or tax credits from the Department of Business and Economic Development to support economic growth and development throughout the State.

Legislative Services notes that local school construction projects eligible to receive State funding must generally follow State procurement guidelines, including goals for minority business contracting.

Small Business Effect: Although the bill requires only that recipients of State financial assistance for capital projects report on their use of certified MBEs and outreach to MBEs, the bill's clear intent is that recipients increase the participation of certified MBEs in State-funded capital projects. To the extent that small businesses and nonprofit organizations expand their outreach to, and contracting with, MBEs, they may experience

a significant increase in administrative burden and cost. Also, to the extent that subcontracting with MBEs may be less cost-effective than other options, the bill may result in higher project costs for small businesses that receive State grants, loans, or financial assistance.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mlm/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Recipients of Grants, Loans, or Financial Assistance – Reporting Requirements

BILL NUMBER: HB 1470

PREPARED BY: Governor’s Office of Minority Affairs

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.