

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 355 (Senator Exum, *et al.*)
Education, Health, and Environmental Affairs

**Minority Business Enterprise Certification - Personal Net Worth Requirement -
Repeal**

This bill repeals the personal net worth cap for eligibility in the State's Minority Business Enterprise (MBE) program.

Fiscal Summary

State Effect: None. The Maryland Department of Transportation's (MDOT) Office of Minority Business Enterprises can carry out the bill's requirements with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Meaningful. Any small business owner who is a member of a racial or ethnic minority or a woman and has a personal net worth higher than \$1.5 million becomes eligible for MBE certification.

Analysis

Current Law: The State's MBE program establishes a goal that at least 25% of the total dollar value of each agency's procurement contract be awarded to MBEs, including 7% to African American-owned businesses and 10% to woman-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. MDOT serves as the State's MBE certification agency.

An MBE must be at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged. It must also be managed 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 for the purpose of being eligible for MBE certification. Personal net worth includes the individual's share of assets held jointly or as community property with a spouse but does not include the individual's ownership interest in an MBE or equity in a primary place of residence.

Background: The personal net worth cap was raised by Chapter 179 of 2004, from \$750,000 to its current level of \$1.5 million. The federal personal net worth cap for disadvantaged business enterprises is \$750,000.

Currently, 4,380 firms are listed on the State's directory of certified MBEs. There is no way to estimate how many more firms may seek or qualify for MBE status if the personal net worth cap is repealed.

Additional Information

Prior Introductions: None.

Cross File: HB 594 (Delegate Walker) - Health and Government Operations.

Information Source(s): Maryland Department of Transportation, Department of General Services, Board of Public Works, University System of Maryland, Department of Legislative Services

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