

**Department of Legislative Services**  
Maryland General Assembly  
2009 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 7

(Delegate Norman, *et al.*)

Health and Government Operations

Education, Health, and Environmental Affairs

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**State Government - Flags - Made in USA**

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This bill requires flags of the United States and the State of Maryland that are displayed on State property and purchased with State funds be manufactured in the United States.

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**Fiscal Summary**

**State Effect:** Since the Department of General Services (DGS) already purchases American made flags, the bill codifies current practice and is not anticipated to affect State finances or operations.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** With the exception of steel for public construction projects, State procurement law does not require that State purchases of any single commodity be restricted to items produced in the United States. However, it does establish several exclusive purchasing requirements and procurement preferences. For purchases of supplies and services, State agencies must exhaust a series of priority preferences before engaging in a competitive procurement. First preference is given to Maryland Correctional Enterprises (MCE), the independent manufacturing arm of the Division of Correction. If MCE does not provide the supply or service, second preference goes to Blind Industries and Services of Maryland, followed by community service providers employing individuals with mental or physical disabilities. Only if none of those entities

provides a desired supply or service is an agency free to conduct a competitive procurement.

There are a number of additional procurement requirements and preferences in the State. For example, at least 40% of paper purchased on behalf of State agencies must be recycled paper, and a separate price preference of 5% is given for the purchase of products made from recycled materials. Further, to the extent practicable, State agencies must buy supplies that are the quietest available. Also, the State's Small Business Reserve Program requires designated State agencies to set aside at least 10% of their procurements for small businesses.

The University System of Maryland, Morgan State University, and St. Mary's College of Maryland are exempt from most provisions of State procurement law. State law also exempts other agencies, in whole or in part, from State procurement law, including:

- Blind Industries and Services of Maryland;
- Maryland State Arts Council;
- Maryland Health and Higher Educational Facilities Authority;
- Department of Business and Economic Development;
- Maryland Food Center Authority;
- Maryland Public Broadcasting Commission;
- Maryland State Planning Council on Developmental Disabilities;
- Maryland Automobile Insurance Fund;
- Maryland Historical Trust;
- Rural Maryland Council;
- Maryland State Lottery Agency;
- Maryland Health Insurance Plan;
- Maryland Energy Administration;
- Maryland Developmental Disabilities Administration;
- Maryland Stadium Authority; and
- State Retirement and Pension System.

**Background:** The U.S. Census Bureau reports that imports of American flags – primarily from China – totaled \$5.3 million in 2006 and shipments of fabricated flags, banners, and similar emblems by the nation's manufacturers total approximately \$350 million annually.

Limiting the importation of foreign-made American flags has been addressed at both the state and federal level. In the U.S. Congress, several bills seeking to limit foreign-made American flags have been introduced and failed, due in part to commerce and foreign trade requirements. However, in Minnesota, all American flags sold in the state must be manufactured in the United States. In Tennessee, flags purchased under state contracts must be manufactured in the United States. Furthermore, in Arizona, only domestically manufactured American flags may be displayed in public schools.

**State Fiscal Effect:** DGS is responsible for establishing policy and directing the statewide operation and maintenance of 55 State buildings, in addition to purchasing supplies for most State agencies. Currently, all flags purchased by DGS are made in the United States, primarily by MCE. In fiscal 2008, DGS spent \$37,628 on the purchase of 861 flags.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 7 (Senator Glassman) - Education, Health, and Environmental Affairs.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division), Department of General Services, Connecticut General Assembly, United States Census Bureau, Department of Legislative Services

**Fiscal Note History:** First Reader - January 20, 2009  
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