

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 818

(Senators Jones and McFadden)

Budget and Taxation

General Obligation Bonds - Required Reports

This bill requires that an act authorizing the creation of a State debt of at least \$150,000 contain a paragraph requiring that the recipient of the State funds report annually on the extent to which the grantee has used or will use the funds to purchase goods, services, construction, or construction services from minority-owned businesses. The annual reports are submitted to the Board of Public Works (BPW), the Governor's Office of Minority Affairs, the Maryland Department of Transportation, and the General Assembly.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: The bill does not materially affect State finances.

Local Effect: Local governments that receive more than \$150,000 in State capital funds can file the required reports with existing resources.

Small Business Effect: Potential minimal. Small businesses or nonprofit organizations that receive more than \$150,000 in State capital funds must file the required reports.

Analysis

Current Law: Through enabling acts, the General Assembly may authorize BPW to borrow money for any purpose and to issue State bonds to evidence the debt. The enabling act must specify the total principal amount of the debt authorized. State statutes also recommend the structure and wording of enabling acts. If the enabling act requires a matching fund, it must include specified language to that effect. The enabling act may also include a provision requiring that debt funds be spent within seven years or revert to the State.

State Fiscal Effect: Legislative Services assumes that the requirement extends to recipients of all State funds authorized by the capital budget bill, given that the consolidated Capital Bond Loan bill is enabling legislation, including recipients of legislative initiative grants, and any other enabling acts.

The size and number of State capital grants issued each year vary. *For illustrative purposes only*, the Governor's proposed fiscal 2010 capital budget provides funds directly to more than 50 specified projects and to dozens of grant programs that provide funds to grantees, including local governments and nonprofit organizations. Among the more notable grant programs are the Public School Construction Program (\$260 million), the Community College Grant Program (\$84 million), and legislative initiative grants (\$15 million). The State does not track all subgrants or subcontracts made by grant programs, so the number of affected firms and organizations cannot be estimated. Under the bill, every recipient of funds under these grant programs and specified projects that receives more than \$150,000 in State funds must file the required report. Legislative Services notes that procurement rules for local school construction projects must generally follow State procurement guidelines, including goals for minority business contracting.

The bill does not require the agencies that receive the reports to tabulate, synthesize, or report the contents of the reports. Therefore, they can carry out the bill's requirements with existing resources.

Additional Comments: The bill does not require that minority-owned businesses included in the required reports be certified by the State as minority business enterprises.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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