

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 857 (Delegate Rosenberg, *et al.*)
Health and Government Operations

Construction Contracts - Hiring Agreement

This bill specifies that State construction contracts valued at \$1.0 million or more and any contracts for the Maryland Economic Development Corporation (MEDCO) are eligible for the execution of hiring agreements authorized by current law. The Board of Public Works (BPW) must adopt regulations to implement the bill.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: No measurable effect on the cost of State construction contracts or MEDCO contracts. The bill may reduce competition for State construction contracts and MEDCO contracts, but any effect of reduced competition cannot be reliably measured and is expected to be negligible. BPW can promulgate regulations with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Family Investment Program

The Family Investment Program (FIP) is the State's program for serving welfare recipients. Its purpose is to support family efforts to achieve and maintain self-sufficiency through services and financial aid geared to individual family needs. It encompasses the provision of temporary cash assistance (TCA) and efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked. Recipients are sanctioned if they fail to comply with any work or training requirements. The program is largely administered by local social service departments under the guidance and supervision of the Department of Human Resources (DHR).

Hiring Agreements

BPW, in consultation with DHR, must designate some procurement contracts as being eligible for hiring agreements with State contractors under the FIP program. The hiring agreements require the vendor to give hiring preference and first consideration in filling a position, to the extent permitted, to current and former FIP participants, their children, foster youth, and obligors required to pay child support if the participants meet the qualifications of the positions. The hiring agreements must provide any necessary training programs that enable eligible individuals to qualify for and secure a position with the State contractor. Although not specifically excluded from eligibility for hiring agreements in current law, construction contracts generally are not deemed eligible for them. The Department of General Services (DGS) advises that it currently has about 100 contracts that are eligible for hiring agreements.

MEDCO

MEDCO is a nonbudgeted entity that allows the State to own or develop property for economic development purposes. MEDCO was created in 1984 with the mission to help expand, modernize, and retain existing Maryland business and to attract new business to the State.

MEDCO purchases or develops property that is leased to others under favorable terms. MEDCO also makes direct loans to companies throughout the State to maintain or develop facilities, and it often serves as the conduit for loans administered by the

Department of Business and Economic Development (DBED). MEDCO issues bonds to raise funds for its loans. The bond debt consists primarily of revenue bonds and notes payable to government agencies such as DBED. The debt represents nonrecourse obligations because MEDCO is not liable to bondholders and lenders in the event of a project or borrower default. Each project must have self-supporting revenues, and no projects are cross-collateralized. As a result, MEDCO debt is not debt of the State, and there is no implied State guaranty or State obligation to protect bondholders from losses.

Background: DHR advises that approximately 9,500 TCA recipients were placed in jobs through the FIP program in fiscal 2010. Of those, it estimates that about 95% were placed with private-sector employers, although it does not keep records of how many different employers hired FIP recipients. In fiscal 2010, DHR reports that there were 242 hiring agreements held by 159 contractors, which resulted in 40 TCA recipients being hired. Since the program's inception in 1998, hiring agreements have resulted in 1,225 job placements. The highest concentration of jobs has been in the housekeeping, clerical, and security sectors.

MEDCO has been involved in 226 projects through fiscal 2010. Of these, MEDCO currently owns and operates 14 as operating facilities, meaning the corporation is involved in management decisions and has a hand in ensuring successful daily operations. For all other projects, MEDCO serves primarily as a financing entity.

State Fiscal Effect: The bill has the potential to expand the number of contracts eligible for hiring agreements. However, only BPW can designate a contract as eligible, so it is not known how many contracts will be designated. Legislative Services notes that construction contracts are not currently *ineligible* for designation, but have not been designated as eligible by BPW.

Hiring agreements specify that eligible individuals must be qualified to perform the work required by the contract in order to be hired by a contractor, so there should be no measurable effect on contract cost or work quality.

To the extent that the hiring agreements place additional operational burdens on contractors and, therefore, dissuade some from bidding on State construction and MEDCO contracts, the bill may reduce competition for State construction projects and for MEDCO contracts. However, the potential effect of reduced competition on the cost of State and MEDCO procurements cannot be reliably quantified, but it is expected to be negligible.

Small Business Effect: The bill may increase operational burdens for small businesses that bid on eligible State construction contracts and MEDCO contracts because they will

have to give hiring preference to eligible individuals under hiring agreements. The increased burden may reduce small business participation in State procurement.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Department of General Services, Department of Legislative Services

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mlm/rhh

Analysis by: Michael C. Rubenstein

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