

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 116 (Delegates Kipke and George)
Health and Government Operations

Blind Industries and Services - Procurement Preference - Exception

This bill modifies the State's purchase preference for the Blind Industries and Services of Maryland (BISM) to allow the State and State-aided or -controlled entities to purchase supplies or services from other sources if prices offered by those sources are at least 10% less than those offered by BISM for the same supplies or services. Purchases made from entities other than BISM must be reported to the Secretary of General Services.

Fiscal Summary

State Effect: Potential reduction in State procurement costs (all funds) of approximately \$800,000 to the extent that State agencies can realize savings by purchasing supplies and services from sources that charge at least 10% less than BISM; the extent of savings may be greater or less depending on the relative pricing of BISM's products and services. Lesser savings may also be realized if BISM lowers its prices to be more competitive with other vendors but still keep them within the 10% price preference in the bill.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Under State procurement law, a State agency and State-aided or -controlled entities must procure services and supplies from Maryland Correctional Enterprises, BISM, or the Employment Works Program, in that order of preference. Only if none of those entities produces or provides the desired supplies or services may a State agency issue a competitive procurement.

Background: BISM was established in 1908 as a nonprofit organization with a stated purpose of positively changing people's attitudes about blindness. BISM maintains 11 facilities, 4 of which are in Maryland, that employ 400 associates to manufacture and provide a wide array of products and services, including janitorial and laundry supplies, garments and other textile products, office paper products, bottled water, vending machines, and assembly and packaging services. Its clients include the federal government, state governments, and commercial customers, including approximately 250 entities in State government.

State law authorizes the Pricing Committee for BISM to set prices of supplies and services provided by BISM. The four-member committee consists of the Secretaries of General Services and Public Safety and Correctional Services, BISM's president, and a member of the Executive Board of the National Federation of the Blind of Maryland. The statute requires that BISM's prices reflect fair market prices.

Each year, BISM provides training to approximately 200 employment-age and senior blind individuals. The services are provided free of charge with the assistance of a State subsidy of more than \$500,000 annually. According to BISM, the total cost of the training programs is approximately \$1.5 million, with the difference made up largely from the proceeds of BISM's sale of products and services.

State Fiscal Effect: Legislative Services compared BISM's listed prices for writing pads and bottled water with listed retail prices for comparable items and found that BISM's prices are at least 20% *below* retail in both cases. However, in some instances, State agencies may be able to realize significant savings over retail prices through wholesale or bulk distributors. BISM reports sales to State agencies of more than \$8.0 million. Thus, if State agencies can find comparable items for exactly 10% less than BISM's prices, State procurement costs for those items may decrease by \$800,000. Savings may be greater if BISM's prices are more than 10% above prices for other suppliers, or less if many BISM prices are within the 10% price preference. In cases where BISM's prices are more than 10% above retail, the Pricing Committee may choose to lower those prices to just 9% above retail so that the procurement preference remains in effect. In those cases, State agencies will still realize savings due to BISM's lower prices, but the savings will likely be less than 10%.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Blind Industries and Services of Maryland, Board of Public Works, Department of Budget and Management, Staples.com, Drinkmorewater.com, Department of Legislative Services

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