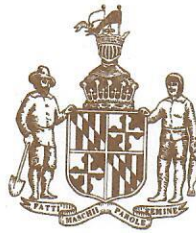


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Judiciary Committee



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THE MARYLAND HOUSE OF DELEGATES

ANNAPOLIS, MARYLAND 21401

Madame Chairman Pena-Melnyk and Members of the Committee,

I am testifying today in support of HB 743. This bill requires each State procurement unit to include the dollar value of its contracts with Maryland Correctional Enterprises (MCE) in the total dollar value of its procurements for the purpose of calculating the unit's performance relative to the State's minority business enterprise (MBE). . By doing so each State unit's procurement will give a more accurate picture

The State unit procurement reports will more accurately reflect the impact of MCE on minority businesses if those statistics for MCE contracts are reported as part of the State procurement process. To the extent that the State engages the private sector in businesses in which MCE produces goods we can learn how much MCE contributes to the overall purchase by the State in any line of goods produced by MCE and determine which goods State units procure that compete with minority business vendors. MCE products are often packaged or assembled but primary goods are sourced from third parties. So, the added component, labor from inmates, substantially reduces the cost of the final products sold.

In short, MBEs face the challenge of being outcompeted by prison labor. By working with minority business enterprises. I am aware of complaints that MCE creates a barrier for their ability to contract with the State. Minority businesspeople have been told that the contracts for which they would compete are for products currently sourced from Maryland Correctional Enterprises and that there is no way they can justify paying for similar products sold or manufactured by minority businesses because of the price of substantially lower costs of MCE products. While these stories may seem anecdotal, they should not obscure the fact that there is an element of non-competitiveness that arises with the use of prison labor. MCE products for the State are produced at a significantly cheaper rate. Additionally, if together products where MCE competes against Minority Business Enterprises producing the same products, there is no level playing field. Contract prices which reflect low non-competitive wages of prison labor make it impossible for a minority business to secure contracts even if MBEs pay minimum wages. When compared to wages that range from 17 cents per hour to \$1.51. there can be no level playing field. Furthermore, if minority business enterprises cannot pay living wages to their employees, they cannot retain employees and provide quality products.

I ask that the Committee vote favorably for this bill which will allow us to get a more accurate picture of the impact of MCE on minority industries and businesses.

Respectfully submitted,

N. Scott Phillips