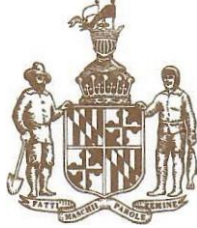


N. SCOTT PHILLIPS,  
ESQ.  
Legislative District 10  
Baltimore County

Judiciary Committee



The Maryland House of Delegates

6 Bladen Street, Room 319  
Annapolis, Maryland 21401  
410-841-3358 • 301-858-3358  
800-492-7122 Ext. 3358  
N.Scott.Phillips@house.state.md.  
us

THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

HB1151 Testimony  
State Procurement- Preferred Providers  
Removal of Maryland Correctional Enterprises

Chair Pena-Melnyk, Vice Chair Cullison and Members of the Committee,

I am Delegate N. Scott Phillips, 10<sup>th</sup> Legislative District and I am before you today to request a favorable report on HB 1151, State Procurement- Preferred Providers Removal of Maryland Correctional Enterprises. This bill repeals Maryland Correctional Enterprise's (MCE) status as a preferred provider under State procurement law, and further repeals the Pricing and Selection Committee for Preferred Providers' oversight over MCE's pricing and sales.

According to its 2023 annual report Maryland Correctional Enterprises had sales of **\$51,659,125.50**. Assuming these dollars are removed from the list of State Procurement Preferred Providers competing with MBEs, it would allow goods and services provided by MBEs to be more competitive for the products that compete with those produced non-competitively by the prison system and thereby assist MBEs in their efforts to get more State procurements on a competitive basis.

Maryland Correctional Enterprises competes directly with many of our State certified MBE's examples include furniture manufacturers and distributors, printing companies, apparel manufacturers and facility products. MCE competes with the non-competitive labor costs which provides MCE with an unfair competitive advantage. This advantage is compounded when the State effectively reduces its MBE goals by excluding MCE procurement dollars from an agency's calculation to determine its MBE procurement performance.

State agencies should not be rewarded, for selecting MCE at the expense of meeting their MBE goals.

The current policy also raises public policy and equity issues. Again, I pose these questions: Should we pit prison labor against minority business? Should we advantage a system that pays its labor less than 20% of minimum wage against businesses that impact local economies? Should we advantage a system that incarcerates Black Marylanders at a rate of 5 to 1 while Black owned businesses according to a Kauffman Foundation Study in 2022 are 73% more likely to hire from their community.

I know in the scheme of things this is a minor change and it may have a comparatively small fiscal impact, but I strongly believe this is about a Big Principal. As a legislature with passage of this bill, we can send a positive message of support to the MBE community that we are making strides towards a more level playing field when it comes to State Procurements. Given the history of prison labor, which I will share in an attachment to my written testimony as well as in my oral testimony, we can do better than this. Let's be honest and put into perspective the role MCE plays in our State procurement system. Some argue that it is skill building and it reduces recidivism. However, it is important to note that:

- MCE is a \$51M enterprise where the top 10 employee's salary and benefits exceed \$1M per year.
- The inmates which are the production staff total compensation equates to \$1.8M
- On average inmates participating in the program receive \$180 per month
- The average inmate age participating in the program is 43 (and most of these prison inmates are lifers or long timers)

For these reasons I request a favorable report for HB1151.

Respectfully submitted,

N. Scott Phillips