

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 881

(Delegate Weldon)

Health and Government Operations

Education, Health, and Environmental Affairs

**Procurement - Preference Procurement Program for Sheltered Workshops -
Individual With Disability Owned Businesses**

This bill extends the State's purchasing preference for sheltered workshops to include "individual with disability-owned businesses," and makes technical changes to State procurement law to reflect this change.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: No material effect on State procurement spending. Potential increases in State contract costs stemming from the preference program are presumed to be negligible.

Local Effect: None.

Small Business Effect: Potentially meaningful to the extent that the businesses owned by individuals with disabilities are small businesses and do not currently participate in the purchasing preference program for sheltered workshops. Those firms could increase their participation in State procurement.

Analysis

Bill Summary: A business owned by an individual with a disability is defined as a business:

- organized under the laws of the United States or the State of Maryland;
- majority owned by one or more individuals determined to be disabled according to State law by the Division of Rehabilitation Services in the Maryland State Department of Education;
- in which individuals with disabilities comprise a percentage of the workforce that is above the minimum required under the policies or guidelines issued by the State;
- whose total gross revenues for contracts under the preference program do not exceed the maximum allowed under policies or guidelines established by the State; and
- that continues to meet all eligibility criteria established by the State.

The bill also requires the State Pricing and Selection Committee for Rehabilitation and Employment programs to establish eligibility policies or guidelines for participating sheltered workshops and individual with disability-owned businesses and maintain and distribute a list of participating workshops and businesses.

Current Law: Under State procurement law, a State agency or State aided and controlled entities must procure services and supplies from Maryland Correctional Enterprises (MCE), Blind Industries and Services of Maryland, or sheltered workshops for individuals with disabilities, 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.

Sheltered workshops are defined as agencies that are: • organized under the laws of the United States or Maryland; • certified by the Wage and Hour Division of the U.S. Department of Labor; • accredited by the Division of Rehabilitation Services of the Maryland State Department of Education; and • operated in the interest of individuals who have a mental or physical disability.

The Pricing and Selection Committee establishes procedures and policies for the procurement of supplies and services from sheltered workshops, including the establishment of fair market prices for the supplies and services they provide. It currently requires that 75% of sheltered workshop employees be individuals with disabilities. It does not currently set a gross revenue ceiling for participating workshops.

Background: The current sheltered workshop purchasing preference provides contracts valued at \$41 million for participating workshops. Maryland Works, Inc., which manages the program on behalf of the Department of General Services, projects that the

new preference for businesses owned by individuals with disabilities will generate contracts worth approximately \$500,000 in the first year.

State Fiscal Effect: The bill does not increase the total value of State procurements, so it has no direct effect on State expenditures. To the extent that the preference program would steer contracts to firms that do not provide the lowest price to the State, it could increase contract prices for certain supplies or services. Given the program's small size, however, those effects are expected to be negligible.

Additional Information

Prior Introductions: None.

Cross File: SB 612 (Senator Lenett, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Department of Legislative Services

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