

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 897 (Delegate Burns, *et al.*)
Environmental Matters

Task Force to Study the Dearth of Minority-Owned Automobile Dealerships in Maryland

This bill establishes a task force to study the automobile industry in Maryland to determine why there are so few minority-owned dealerships in the State. The task force must determine the number of minority-owned dealerships in Maryland, compare the number of minorities who purchase automobiles to the number of minority-owned dealerships, and make recommendations on methods to increase the number of minority-owned dealerships. A report with findings and recommendations is due to the Governor and the General Assembly by December 1, 2010.

The Department of Business and Economic Development must provide staffing for the task force. The bill terminates December 31, 2010.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DBED could be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: According to the U.S. Census Bureau, as of 2006, minorities make up 44.7% of the Maryland population. Minorities make up approximately 40.9% of the total U.S. population.

The National Association of Minority Automobile Dealers (NAMAD), which represents 650 dealers nationally, has no statistics on how many dealerships are owned by minorities in Maryland. However, NAMAD's 2006 dealer census, the last year for which data is available, indicates that minorities own an average of 5.0% of all auto dealerships in the U.S. Different brands of automobiles have different percentages of minority-owned dealerships. These percentages range from 3.2% (Mazda) to 10.5% (Hyundai).

NAMAD is seeking to increase minority ownership of dealerships to 15%. To that end, in 2004 it reached an agreement with 14 manufacturers to work toward parity in dealer ownership for all minorities. According to automotive publications, attempts to place minorities in dealerships in the 1990s often failed due to the location or preexisting problems of the dealership. Other reported difficulties include a limited number of ownership changes that would allow for new minority ownership. In fiscal 2006 and 2007, 28 new dealership licenses were issued in Maryland according to the Motor Vehicle Administration.

Missouri law requires the state Motor Vehicle Commission to ensure that the community of dealer franchises reflects an adequate percentage of minority-owned businesses when approving licenses for dealer franchises in a metropolitan area with more than 1 million residents.

State Expenditures: DBED advises that an additional administrator would be needed to meet the staffing needs of the task force at an annual cost of at least \$87,269. Legislative Services does not concur with this assessment and believes that staffing could be provided with existing resources.

Additional Information

Prior Introductions: A substantially similar bill, HB 631 of 2005, received an unfavorable report by the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Department of Business and Economic Development,
Department of Legislative Services

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