

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 872 (Senator Washington)  
Budget and Taxation

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**Procurement – University System of Maryland, Morgan State University, St. Mary’s College of Maryland, and Baltimore City Community College**

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This bill repeals a requirement that the University System of Maryland (USM), Morgan State University (MSU), St. Mary’s College of Maryland (SMCM), and Baltimore City Community College (BCCC) purchase, to the maximum extent practicable, supplies or services from designated preferred providers. Instead, the bill allows those institutions to authorize the purchase of supplies and services from preferred providers.

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**Fiscal Summary**

**State Effect:** Higher education and general fund expenditures may decrease to the extent that the bill provides greater flexibility to USM, MSU, SMCM, and BCCC to use competitive procurements instead of purchasing from preferred providers. A reliable estimate of any such effect is not feasible, as discussed below. Nonbudgeted revenues for Maryland Correctional Enterprises (MCE) may decrease, potentially significantly, to the extent that its sales to USM, MSU, SMCM, and BCCC decrease, but a reliable estimate is not feasible, as discussed below.

**Local Effect:** None.

**Small Business Effect:** None. Nonprofit organizations are not small businesses.

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## Analysis

### **Current Law:**

#### *Preferred Providers*

State procurement law defines “preferred provider” to be a provider of supplies or services that is given preference in the purchase of specified items. Preferred providers are MCE, Blind Industries and Services of Maryland (BISM), and the Employment Works Program. A State entity or a State-aided or -controlled entity must buy supplies and services from MCE first, then from BISM, then from the Employment Works Program, in that order of preference. Only if none of those entities produces or provides the desired supplies or services may an entity issue a competitive procurement.

The Employment Works Program consists of community service providers and businesses owned by individuals with disabilities. A “community service provider” is a nonprofit entity (1) that is organized under the laws of the United States or Maryland; (2) is accredited by the Division of Rehabilitation Services; and (3) is operated in the interest of individuals who have a mental or physical disability, including blindness, as specified.

The Pricing and Selection Committee for BISM and the Employment Works Program, among other responsibilities, sets the prices of supplies and services provided by BISM and Employment Works to reflect fair market prices. The Secretary of General Services performs the same function for MCE.

#### *Procurement Exemption*

USM, MSU, SMCM, and BCCC are exempt from most provisions of State procurement law, including the requirement to purchase supplies and services from preferred providers. However, a separate provision of procurement law requires them to each have written procurement policies that include a requirement that they purchase, to the maximum extent practicable, supplies and services from preferred providers. That provision is repealed by the bill.

**State Fiscal Effect:** The Pricing and Selection Committee and the Secretary of General Services set prices for supplies and services sold by preferred providers to reflect fair market pricing. To the extent that USM, MSU, SMCM, and BCCC believe that better pricing is available through competitive procurements, their procurement costs may decrease due to the flexibility provided by the bill to choose whether to purchase supplies and services from preferred providers. As any such effect depends on the circumstances and frequency with which they elect to use a competitive procurement, a reliable estimate of any such savings is not feasible.

MCE advises that its annual sales to the four institutions totals about \$10 million, or about 25% of its revenues. To the extent that the four institutions elect to reduce their purchasing from MCE, its nonbudgeted revenues decrease, potentially significantly. However, a reliable estimate of any decrease is not feasible because it depends on the extent to which the four institutions use the flexibility provided by the bill to change their purchasing patterns.

**Additional Comments:** Revenues for BISM and Employment Works participants may decrease, potentially significantly, to the extent that their sales to public institutions of higher education decrease, but a reliable estimate is not feasible.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Baltimore City Community College; University System of Maryland; Morgan State University; Department of General Services; Department of Public Safety and Correctional Services; Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2022  
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Analysis by: Michael C. Rubenstein

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510