

***NEW IDEAS TO EXPAND OPPORTUNITY:
MINORITY- AND WOMEN-OWNED BUSINESS ENTERPRISES***

“When we established our minority participation goals for city contracts...we had high expectations that our efforts would enable those businesses to grow and thrive in Baltimore. I am proud to say that our efforts are paying off. Today, those businesses are not only supplying products and services to Baltimore City government, they are becoming equity owners in major development deals in our city.”

Martin J. O'Malley, March 2005

Introduction

Small businesses are the bedrock of the national, state, and local economies, spurring growth by providing jobs and creating wealth. Promoting a flourishing small business community is a surefire way to expand economic prosperity by creating legacy wealth that can be passed from generation to generation.

Legacy wealth and the role of the state in helping to achieve it are especially important to Maryland's minorities and women. Notably, it is estimated that nearly half of Maryland's small businesses are minority- or woman-owned. Doing all we can, therefore, to ensure full participation of all Maryland citizens in the economy of our state is not an act of gratuity. It is essential to a vibrant Maryland future.

Martin O'Malley and Anthony Brown believe that when we commit to building sustainable communities, we strengthening our future and long term prospects for all Marylanders.

Whether at the federal, state or local levels, government spending represents a huge potential market for private enterprises. All governments have a vested interest in working to promote the existence of a large pool of firms willing to compete for government business and capable of providing high quality goods and services.

Too often, however, governments become overly reliant on a handful of companies that command the lion's share of work. This dependence can worsen if governments do not take necessary and fair steps to increase the size and diversity of its vendor pool. These steps sometimes require helping small or emerging businesses learn about government contracting opportunities and gaining access to capital and technical assistance to grow their capacity and position them to effectively compete. However, it also means inviting minority and women-owned firms to pursue new types of contracting opportunities, to add new skill sets, thereby

increasing their competitiveness in areas where such firms are significantly underrepresented or non-existent.

The O'Malley and Ehrlich Administrations: A Study in Contrast

City of Baltimore: In December 1999, Ordinance 610, which had established goals for percentages of Baltimore City contracts to be awarded to minority-owned businesses and woman-owned businesses was found unconstitutional by the United States District Court. While this ruling was a disappointment, it did not deter Martin O'Malley from his goal of enhancing the economic health and prosperity of the City by promoting the greater use of MBE and WBE firms. Job creation for Baltimore's residents, and therefore the success of minority-owned and women-owned businesses have been paramount goals of this Administration.

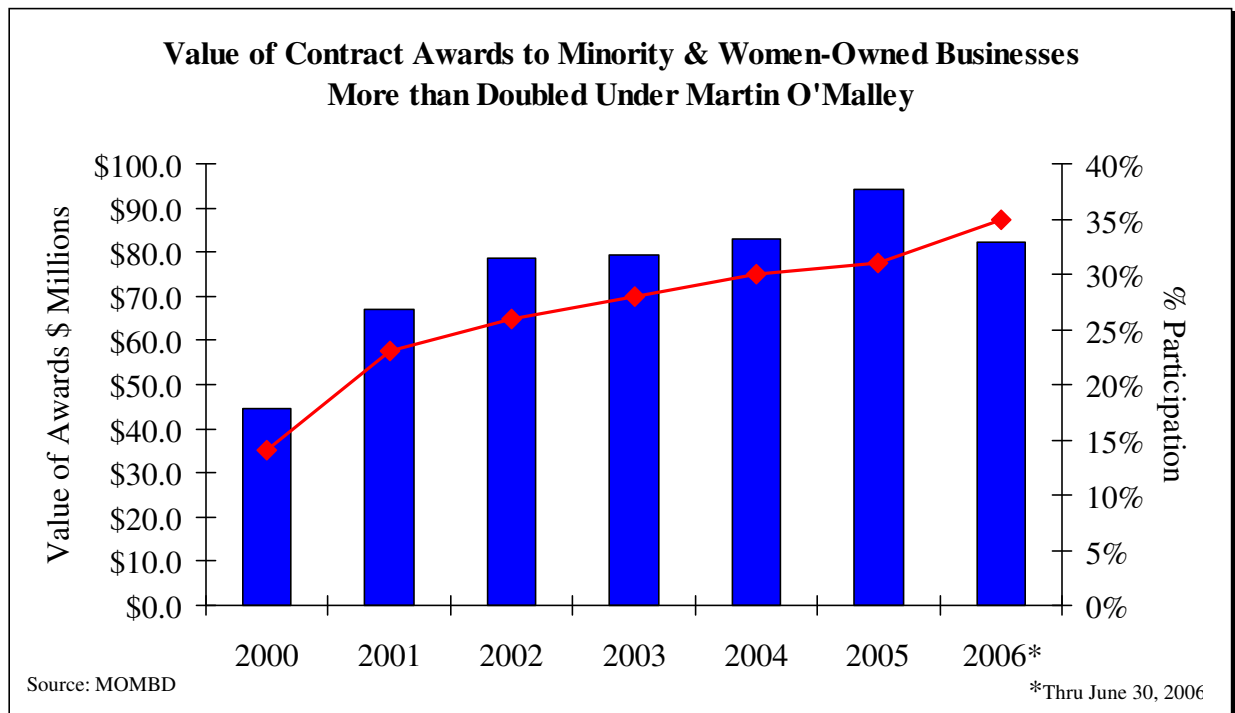
Baltimore City's government has a significant interest in encouraging the growth and development of minority-owned and women-owned businesses. Because the City is a major purchaser of goods and services, it has an opportunity to play a major role in the economic revitalization of the City through the support and encouragement of minority-owned and women-owned businesses. The City's budget for this fiscal year is well over \$2 billion. A substantial percentage of that amount will be used to award contracts to equip the City to serve the needs of its citizens. The City gains enormously from improvements in expanded business opportunities for Baltimore residents created by the expansion of minority-owned and women-owned businesses and through the additional tax revenues generated by those individuals and businesses.

Martin O'Malley created the Mayor's Office of Minority Business Development (MOMBD) to expand the number, magnitude and success rate of minority-owned and women-owned businesses in Baltimore City, to increase contracting and procurement dollars spent with minority-owned and women-owned businesses, and to facilitate greater involvement of minority-owned and women-owned businesses in identified growth sectors of the City's economy (e.g. tourism, technology, real estate development).

MOMBD has been instrumental in creating the City's Minority Business Inclusion Plan, an action plan detailing the City's commitment to minority business in the areas of management, accountability, contracting, retail and new business development, outreach, work force training and employment. In addition, MOMBD has been helped advance the Baltimore City Local Contractor Development Program which assists local companies with technical assistance and bonding as related to construction projects with the City's Departments of Public Works and Transportation as well as created the Mayor's Annual Minority and Women's Outreach Fair, a comprehensive procurement fair featuring workshops, business opportunities, and networking sessions with City buyers for all agencies.

Baltimore City's Board of Estimates (BOE) awards to minority and women-owned businesses continues to grow, nearly doubling from \$44.7 million in 2000 to \$93.4 million in 2005. During that same time period, the percentage of eligible awards to minority and women-owned businesses grew from just 14 percent to 31 percent. The numbers for 2006 are even more

encouraging: through June 2006, over \$82 million in contracts have been awarded to minority and women-owned businesses representing 35 percent of eligible awards.



In addition to greater participation in City awards, a larger number of minority and women-owned businesses are developing ownership stakes in major development deals in Baltimore. To date, 27 of 51 (52 percent) BDC projects receiving support from the City included minority ownership. The 27 projects with minority participation (equity) in ownership represent \$894 million or 69 percent of the total investment for all BDC projects. In addition there has been a 7.5 times increase in the dollar amount of MBE contracts at Baltimore's Department of Housing and Community Development, from \$8.3 million in 2000 to \$42.3 million in 2005.

State of Maryland: The State's MBE program began in 1978. As a result of the 1989 U.S. Supreme Court case *City of Richmond v. J. A. Croson Co.*, the Board of Public Works (BPW) commissioned a Minority Business Utilization Study to support Maryland's MBE program. In 1990 the General Assembly altered the State's MBE program and authorized the BPW to designate a single agency for the certification of MBEs. The Maryland Department of Transportation was subsequently charged with this responsibility. The 1990 legislation also authorized a study to monitor the MBE program's compliance with the *Croson* and subsequent decisions, and included a June 30, 1995 sunset date.

In accordance with the 1990 law, a study was conducted prior to the 1995 session. In response to the study, the General Assembly amended the program to establish a 14 percent MBE participation goal for all units in State government subject to the State's procurement law. The program enacted in 1995 was scheduled to sunset on July 1, 2000. Chapters 495 and 496 of the Acts of 2000 extended the sunset date of the MBE program to July 1, 2002 and required another study due January 10, 2001 to determine if continuation of the program was justified.

National Economic Research Associates (NERA) conducted the study for the report submitted on January 8, 2001. One of the NERA's findings was that MBEs were underutilized. In the 2001 Session, Chapter 339 of the Acts of 2001 extended the termination of the program and increased the MBE goal from 15 to 25 percent and increased the personal net worth limitation from \$750,000 to \$1.5 million. The 2001 legislation required MDOT to complete a report on the MBE program by September 2005; however, the report was not completed until March 2006. Although the utilization and availability percentages in the 2006 report varied by type of procurement, the 2006 study found the overall percentages in both availability and utilization to be lower in most instances.

As can be seen in the next table, NERA's 2006 study found that from 2000 through 2005, 14.8 percent of State contracting dollars went to MBEs, including 3.5 percent to African American owned businesses and 6.4 percent to white women owned businesses. This a decrease in the utilization of MBEs of 2.29 percent between 2000 and 2005 as compared to the prior time period. This decrease occurred even though the overall availability of MBEs increased from 26.9 percent to 29.6 percent, primarily in the area of white female companies. The availability of African American MBE companies decreased in availability from 7.9 percent to 6.49 percent during the same time period.

As a result of the 2006 study, Chapter 359 of the Acts of 2006 extended the Minority Business Enterprise (MBE) program's expiration date by five years, until 2011, and again required the Maryland Department of Transportation (MDOT) to produce a report on the program's effectiveness by September 30, 2010.

**Availability and Utilization Percentages by MBE Classification
2001 and 2006 NERA Reports**

<u>Classification</u>	<u>Availability %</u> <u>2001</u>	<u>Availability %</u> <u>2006</u>	<u>Utilization %</u> <u>2001</u>	<u>Utilization %</u> <u>2006</u>
African American	7.90	6.49	4.49	3.48
Hispanic	2.13	3.17	1.79	2.48
Asian	4.27	4.76	3.07	2.14
Native American	.66	.63	.07	.33
White Female	12.74	14.56	7.66	6.36
All MBEs	26.90	29.61	17.08	14.79

Source: Utilization of Minority Business Enterprises by the State of Maryland, National Economic Research Associates, January 8, 2001 and March 7, 2006

Expanding State Contracting Opportunities for MBE and WBE Firms

To expand state contracting opportunities for MBE and WBE firms, an O'Malley-Brown administration will:

Set, track, and report transparent goals and outcomes for State spending and contract awards to MBE and WBE firms. Martin O'Malley and Anthony Brown believe openness and transparency should be hallmarks of Maryland's State government. The City of Baltimore's website provides a good example by including a detailed monthly posting of Board of Estimates award activity as well as agency-specific reports on MBE and WBE spending data via the CitiStat program. (See www.baltimorecity.gov for additional details.) An O'Malley-Brown administration will increase the frequency of reporting and access to MBE and WBE data. This will help increase awareness of MBE and WBE contracting opportunities and expand the pool of eligible firms seeking State work. Such goal setting, tracking, and reporting will become particularly important as the State begins to move forward with high profile and costly efforts such as BRAC and the construction of the Inter County Connector (ICC), two notable efforts that should provide MBE and WBE firms with almost unprecedented participation opportunities.

Work through organizations such as the Maryland Municipal League (MML) and the Maryland Association of Counties (MACO) to explore opportunities to standardize MBE/WBE eligibility criteria and certification processes, establish reciprocal recognition agreements, and create a clearinghouse for information regarding certified MBE/WBE firms as well as local, state, and federal procurement opportunities. Maryland's State government and its county and municipal governments have a shared interest in promoting and expanding opportunities for MBE and WBE firms. An O'Malley-Brown administration will work to marshal the collective resources of State and local governments to reduce administrative and bureaucratic barriers for MBE and WBE firms as well as better promote bidding opportunities across Maryland.

Work with the state's federal delegation to bring a federal minority business enterprise center to Maryland. The U.S. Department of Commerce's Minority Business Development Agency (MBDA) works to improve MBE firms' abilities to compete in the national and global economies by providing programs to access financing, education, and technology resources. Maryland falls within MBDA's New York region, but unbelievably the state is home to neither a regional enterprise center nor a minority business enterprise centers. (See http://www.mbda.gov/?section_id=1&bucket_id=151&content_id=2264&well=well_2#nyc for additional information about MBDA and its regional locations.) Martin O'Malley and Anthony Brown will work with Maryland's federal delegation to bring a federal MBDA office to our state.

Work with Maryland's major financial institutions to encourage the creation of private equity funds to support talented and experienced minority managers in acquiring established businesses in areas of the economy where there is little or no MBE/WBE ownership. Maryland is lucky to be home to a number of major financial institutions. As all levels of government look to expand participation levels, there exist market segments with few, if any,

MBE and WBE firms. In many cases, these represent relatively unknown and unrealized opportunities for new MBE and WBE firms. An O'Malley-Brown administration will work with the state's major financial institutions to identify these opportunities and promote investments intended to help establish MBE and WBE business in areas of the Maryland economy with minimal or no pre-existing presence.