


**MEMORANDUM**

November 10, 2016

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Public Hearing/Action:** Expedited Bill 45-16, Contracts and Procurement - Minority-Owned Businesses – Sunset Date - Amendments

Expedited Bill 45-16, Contracts and Procurement - Minority-Owned Businesses – Sunset Date - Amendments, sponsored by Lead Sponsor Government Operations and Fiscal Policy Committee, was introduced on November 1, 2016. Action is tentatively scheduled after this hearing.

Expedited Bill 45-16 would extend the sunset date for the County's minority owned business purchasing program until December 31, 2019.

**Background**

The Supreme Court in *City of Richmond v. J. A. Croson Company*, 488 U.S. 469 (1989), established a framework for a local government to implement a program that provides a preference for minority owned businesses. The Court held that there must be substantial evidence of past or ongoing discrimination in order to show a compelling government interest to justify the program. The Program must be narrowly tailored to remedy the past or ongoing discrimination. For this reason, local governments that have this type of program must evaluate the continuing need for it every few years. The County Executive submitted a Disparity Study to the Council on July 1, 2014 prepared by Griffin and Strong that supports the continuation of the program.

**2014 Disparity Study**

In May 2013, the County retained Griffin & Strong, P.C. (GSPC) to conduct a comprehensive disparity study. GSPC examined and analyzed the procurement policies and practices of the County and its prime contractors regarding the use of Minority, Female, and Disabled owned businesses (MFD) on County contracts for goods and services. The objective was to determine if there was a statistically significant disparity between the number of MFD firms in the relevant market and the dollars awarded to MFD firms through County contracts. GSPC divided County contracts into 4 categories – Construction, Professional Services, Services, and Goods.

GSPC conducted a quantitative analysis of the County's contracting history between July 1, 2007 and June 30, 2012. This analysis started with a determination of the relevant geographic market area for each of the 4 categories of procurement contracts. GSPC concluded that the relevant market was the geographic area where 75-85% of the firms contracting with the County are located. Within each relevant market, GSPC compared the percentage of firms in each race, ethnicity, gender, and disability group that are qualified, willing and able to perform services used by the County with the percentage of dollars spent

by the County on firms in each MFD group. GSPC used this analysis to determine if each MFD group was underutilized or overutilized in each relevant market. GSPC looked at both prime contractor utilization and subcontractor utilization.

GSPC further analyzed the results to determine if the underutilization observed was statistically significant and if the underutilization could be attributed to the MFD status of the firms through both a regression analysis that controlled for other possible explanations, such as business size or experience, and anecdotal evidence. The complete report can be found at:

<http://www.montgomerycountymd.gov/cat/services/disparitystudy.html>.

### **Expedited Bill 42-14 and Expedited Bill 48-15**

Based upon the 2014 Disparity Study, the Council extended the sunset date for the MFD Program until December 31, 2015 by enacting Expedited Bill 42-14 on October 21, 2014. The Council subsequently created 2 task forces to study the MFD Program and the overall Procurement System. Each of these task forces presented their recommendations to the Council in November 2015. The 2014 Disparity Study supports an extension of the MFD Program. Expedited Bill 48-15 extended the sunset date for the MFD Program until December 31, 2016 to give the Council time to analyze the recommendations of the 2 task forces and decide if any changes to the legislation authorizing the MFD Program should be made.

### **Government Operations and Fiscal Policy Committee Worksession**

The Government Operations and Fiscal Policy (GO) Committee held a worksession on March 10, 2016 to review the recommendations of the task forces. The Committee made several recommendations to the Office of Procurement. The GO Committee also agreed to extend the sunset date for the MFD program to December 31, 2019 with the understanding that the Executive should have completed a new disparity study before that date.

This packet contains:

Expedited Bill 45-16

Legislative Request Report

Circle #

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Expedited Bill No. 45-16  
Concerning: Contracts and Procurement  
- Minority-Owned Businesses -  
Sunset Date - Amendments  
Revised: 10-24-2015 Draft No. 1  
Introduced: November 1, 2016  
Expires: May 1, 2018  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: December 31, 2019  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Government Operations and Fiscal Policy Committee

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**AN EXPEDITED ACT** to:

- 1) extend the sunset date for the County's minority owned business purchasing program; and
- 2) generally amend the County's minority owned business purchasing program.

By amending

Montgomery County Code  
Chapter 11B, Contracts and Procurement  
Sections 11B-64

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
<b>[Single boldface brackets]</b>	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
<b>[[Double boldface brackets]]</b>	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*

**Sec. 1. Section 11B-64 is amended as follows:**

**11B-64. Sunset date.**

This Article is not effective after December 31, [2016] 2019.

**Sec. 2. Expedited Effective Date.**

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

*Approved:*

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Nancy Floreen, President, County Council

Date

*Approved:*

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Isiah Leggett, County Executive

Date

*This is a correct copy of Council action.*

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Linda M. Lauer, Clerk of the Council

Date

## LEGISLATIVE REQUEST REPORT

Expedited Bill 45-16

*Contracts and Procurement - Minority-Owned Businesses – Sunset Date - Amendments*

**DESCRIPTION:** Expedited Bill 45-16 would extend the sunset date for the County's minority owned business purchasing program until December 31, 2019.

**PROBLEM:** The County's minority owned business purchasing program is currently scheduled to sunset on December 31, 2016.

**GOALS AND OBJECTIVES:** Remedy the effects of past discrimination on certain businesses owned by minorities, women, and disabled people.

**COORDINATION:** Office of Procurement, County Attorney

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Robert H. Drummer, Senior Legislative Attorney

**APPLICATION WITHIN MUNICIPALITIES:** Not applicable.

**PENALTIES:** None.