



**ECONOMIC IMPACT OF THE
MARYLAND MINORITY BUSINESS
ENTERPRISE PROGRAM**

Fiscal Year 2013

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FY2013 ECONOMIC IMPACT OF THE MARYLAND MINORITY BUSINESS ENTERPRISE PROGRAM

Introduction

The Department of Business and Economic Development (DBED), in collaboration with the Governor's Office of Minority Affairs (GOMA), has estimated direct, secondary and total economic impacts resulting from procurement payments made through the Minority Business Enterprise (MBE) Program for FY2013. The direct economic benefits represent payments to MBEs by nearly 70 State agencies across Maryland. The businesses supporting the operations of the minority business enterprises, in turn, must increase their own transactions – produce, restock inventories and transport – to meet the demands of the principal enterprises. These backward supplier effects are identified as indirect impacts. The increased worker payrolls associated with these direct and indirect economic activities are then largely spent on household consumer items. This forward spending and the resultant increases in economic activity are identified as induced impacts. All indirect and induced economic impacts of the MBE Program are estimated using the nationally known IMPLAN (IMpacts for PLANning) economic model for the State of Maryland¹.

MBE Payments by Classification

In FY2013, payments to MBEs totaled \$1.8 billion, including \$1.05 billion in prime contract payments, representing 59% of all payments, and \$739.6 million in subcontract payments, representing 41% of all payments (Exhibits 1 and 2).

- \$428 million was spent on goods and services procured from women-owned enterprises, representing 24% of all expenditures. Women-owned MBEs received 17% of all prime contract payments and 34% of subcontract payments in FY2013.
- African American MBE firms were paid a total of \$328.7 million or 18.3% of the total. The bulk of these expenditures (84%) were subcontract payments. Within subcontract payments, African American MBEs accounted for 37%, the largest share. African American women-owned MBEs accounted for 13.4% of all payments to African-American companies or about 2.5% of all payments statewide.
- Asian American-owned MBEs were paid \$203.9 million or 11.4% of total payments, representing the third largest share among various groups statewide.

¹ IMPLAN System (2012 data and version 3.1 software), IMPLAN Group, LLC, 16740 Birkdale Commons Parkway Suite 206, Huntersville, NC 28078 www.implan.com

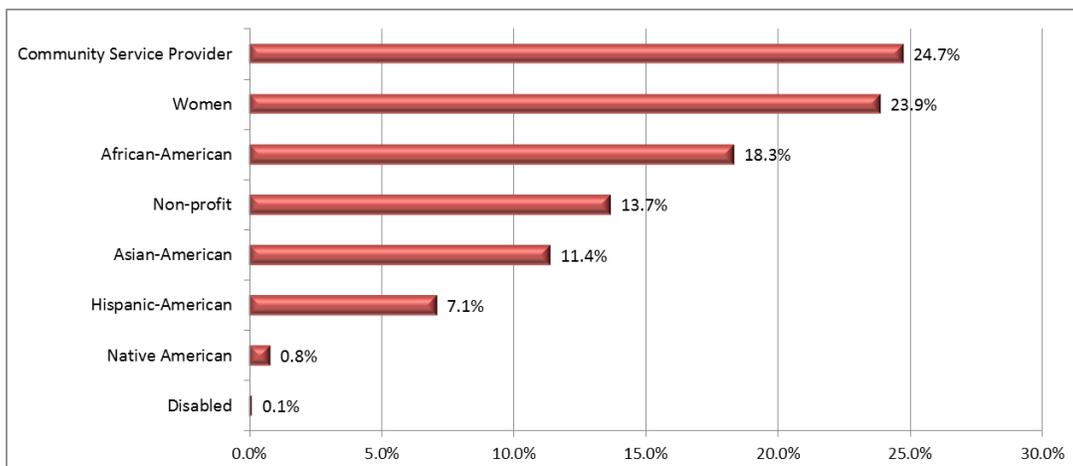
- Payments to Hispanic American-owned establishments were \$127.2 million or 7.1% of the total, the fourth largest share. Hispanic American women companies received \$3.5 million of those payments.
- Native American firms received \$14.2 million or less than 1% of all payments.
- MBE procurement payments to firms owned by people with disabilities totaled \$1.9 million or 0.2% of the total.
- Payments to community service providers were \$443.4 million or 24.7% of the total. Non-profit firms received \$244.9 million or 13.7% of all procurement payments.

Exhibit 1: FY2013 Distribution of MBE Payments by Classification

	Prime Contracts			Sub Contracts			All Contracts	
	Payments	% of Class	% of Prime Payments	Payments	% of Class	% of Subcontract Payments	Payments	% of Total Payments
Total African-American	\$53,295,187	16%	5%	\$275,444,926	84%	37%	\$328,740,113	18.3%
<i>African-American</i>	<i>\$41,006,159</i>	<i>14%</i>	<i>4%</i>	<i>\$243,532,675</i>	<i>86%</i>	<i>33%</i>	<i>\$284,538,834</i>	<i>15.9%</i>
<i>African-American Women</i>	<i>\$12,289,027</i>	<i>28%</i>	<i>1%</i>	<i>\$31,912,251</i>	<i>72%</i>	<i>4%</i>	<i>\$44,201,279</i>	<i>2.5%</i>
Total Asian-American	\$89,227,389	44%	8%	\$114,715,556	56%	16%	\$203,942,945	11.4%
<i>Asian-American</i>	<i>\$81,493,818</i>	<i>43%</i>	<i>8%</i>	<i>\$106,984,626</i>	<i>57%</i>	<i>14%</i>	<i>\$188,478,444</i>	<i>10.5%</i>
<i>Asian-American Women</i>	<i>\$7,733,571</i>	<i>50%</i>	<i>1%</i>	<i>\$7,730,930</i>	<i>50%</i>	<i>1%</i>	<i>\$15,464,501</i>	<i>0.9%</i>
Total Hispanic-American	\$45,928,827	36%	4%	\$81,288,538	64%	11%	\$127,217,365	7.1%
<i>Hispanic-American</i>	<i>\$44,981,626</i>	<i>36%</i>	<i>4%</i>	<i>\$78,773,487</i>	<i>64%</i>	<i>11%</i>	<i>\$123,755,113</i>	<i>6.9%</i>
<i>Hispanic-American Women</i>	<i>\$947,201</i>	<i>27%</i>	<i>0%</i>	<i>\$2,515,051</i>	<i>73%</i>	<i>0%</i>	<i>\$3,462,252</i>	<i>0.2%</i>
Total Native American	\$387,121	3%	0%	\$13,823,140	97%	2%	\$14,210,261	0.8%
<i>Native American</i>	<i>\$233,178</i>	<i>2%</i>	<i>0%</i>	<i>\$10,276,295</i>	<i>98%</i>	<i>1%</i>	<i>\$10,509,473</i>	<i>0.6%</i>
<i>Native American Women</i>	<i>\$153,943</i>	<i>4%</i>	<i>0%</i>	<i>\$3,546,845</i>	<i>96%</i>	<i>0%</i>	<i>\$3,700,788</i>	<i>0.2%</i>
Women	\$176,876,328	41%	17%	\$251,092,170	59%	34%	\$427,968,497	23.9%
Community Service Provider	\$442,951,636	100%	42%	\$476,803	0%	0%	\$443,428,439	24.7%
Disabled	\$367,530	18%	0%	\$1,627,759	82%	0%	\$1,995,289	0.1%
Non-Profit Organization	\$243,812,160	100%	23%	\$1,129,516	0%	0%	\$244,941,677	13.7%
Grand Total	\$1,052,846,178	59%	100%	\$739,598,408	41%	100%	\$1,792,444,585	100%

Source: Governor's Office of Minority Affairs

Exhibit 2: FY2013 Distribution of MBE Payments by Classification



Source: Governor's Office of Minority Affairs

MBE Payments by Jurisdiction

Exhibit 3 shows the value and distribution of MBE procurement payments by jurisdiction for FY2013. Payments to MBEs in Baltimore County totaled \$426 million or 24% of all procurement payments, the largest share among all Maryland jurisdictions. MBEs in Howard County with \$190.8 million, or 10.6% of the total, received the second largest share along with Prince George’s County (\$190.6 million or 10.6%). The next largest share of payments went to Montgomery County (\$188.3 million or 10.5%), Anne Arundel County (\$186.1 million or 10.4%), and Baltimore City (\$167.1 million or 9.3%). Together, these six jurisdictions accounted for 66% of all MBE payments in FY2013. A total of \$191.8 million or 10.7% of all payments were spent on goods and services supplied by out-of-state MBEs.

Exhibit 3: FY2013 Value and Distribution of MBE Payment by Jurisdiction

Jurisdiction	Prime Contracts			Sub Contracts			All Contracts	
	Payments	% of Jurisdiction	% of Prime Grand Total	Payments	% of Jurisdiction	% of Subcontract Grand Total	Payments	% of All Contracts Grand Total
Alleganey	\$12,387,884	74.8%	1.2%	\$4,170,106	25.2%	0.6%	\$16,557,989	0.9%
Anne Arundel	\$144,880,159	77.8%	13.8%	\$41,253,813	22.2%	5.6%	\$186,133,972	10.4%
Baltimore City	\$86,651,017	51.8%	8.2%	\$80,474,473	48.2%	10.9%	\$167,125,490	9.3%
Baltimore County	\$190,374,097	44.7%	18.1%	\$235,757,683	55.3%	31.9%	\$426,131,780	23.8%
Calvert	\$11,968,800	70.8%	1.1%	\$4,941,449	29.2%	0.7%	\$16,910,249	0.9%
Caroline	\$10,588,683	99.9%	1.0%	\$13,165	0.1%	0.0%	\$10,601,848	0.6%
Carroll	\$17,049,189	63.4%	1.6%	\$9,827,733	36.6%	1.3%	\$26,876,922	1.5%
Cecil	\$7,583,110	94.6%	0.7%	\$435,201	5.4%	0.1%	\$8,018,311	0.4%
Charles	\$8,452,469	64.0%	0.8%	\$4,750,600	36.0%	0.6%	\$13,203,069	0.7%
Dorchester	\$7,686,374	99.3%	0.7%	\$56,604	0.7%	0.0%	\$7,742,978	0.4%
Frederick	\$11,166,153	43.7%	1.1%	\$14,380,211	56.3%	1.9%	\$25,546,365	1.4%
Garrett	\$3,729,961	94.9%	0.4%	\$201,575	5.1%	0.0%	\$3,931,536	0.2%
Harford	\$12,079,433	40.1%	1.1%	\$18,035,137	59.9%	2.4%	\$30,114,570	1.7%
Howard	\$131,397,913	68.9%	12.5%	\$59,389,805	31.1%	8.0%	\$190,787,717	10.6%
Kent		0.0%	0.0%	\$505,449	100.0%	0.1%	\$505,449	0.0%
Montgomery	\$130,755,814	69.4%	12.4%	\$57,556,045	30.6%	7.8%	\$188,311,859	10.5%
Prince George's	\$106,699,002	56.0%	10.1%	\$83,934,066	44.0%	11.3%	\$190,633,068	10.6%
Queen Anne's	\$6,491,973	86.4%	0.6%	\$1,025,396	13.6%	0.1%	\$7,517,369	0.4%
Somerset	\$13,878,001	99.6%	1.3%	\$58,847	0.4%	0.0%	\$13,936,848	0.8%
St. Mary's	\$4,923,054	64.7%	0.5%	\$2,684,307	35.3%	0.4%	\$7,607,360	0.4%
Talbot	\$1,223,316	57.8%	0.1%	\$893,467	42.2%	0.1%	\$2,116,783	0.1%
Washington	\$26,664,167	83.7%	2.5%	\$5,209,411	16.3%	0.7%	\$31,873,579	1.8%
Wicomico	\$16,733,313	90.3%	1.6%	\$1,798,779	9.7%	0.2%	\$18,532,092	1.0%
Worcester	\$2,368,667	84.2%	0.2%	\$445,352	15.8%	0.1%	\$2,814,018	0.2%
Other	\$1,788,682	25.3%	0.2%	\$5,276,171	74.7%	0.7%	\$7,064,853	0.4%
Outside MD	\$85,324,948	44.5%	8.1%	\$106,523,562	55.5%	14.4%	\$191,848,510	10.7%
GRAND TOTAL	\$1,052,846,178	58.7%	100.0%	\$739,598,408	41.3%	100.0%	\$1,792,444,585	100.0%

Source: Governor’s Office of Minority Affairs

Economic Impact of MBE Payments in Maryland

Maryland MBE procurement payments in FY2013 totaled \$1.8 billion. A total of \$1.6 billion or 89.3% was spent on goods and services paid to in-state MBEs. In-state expenditures helped support 18,104 direct full-time equivalent jobs, \$715 million in direct wages and salaries, and about \$57 million in selected direct State and local tax receipts (Exhibit 4). The secondary impacts of the MBE Program, or the economic spin-off, include \$1.26 billion in expenditures, 8,692 jobs, \$395.6 million in wages and salaries, and about \$26.6 million in State and local tax revenues.

The total economic impact of the MBE Program – sum of the direct and secondary impacts – amounted to \$2.8 billion in expenditures, 26,796 jobs, \$1.0 billion in wages and salaries, and about \$88.9 million in State and local tax revenues. Every \$1 million of State funds allocated to the MBE Program helped support a total of 14 full-time equivalent jobs and \$49,612 in state and local tax receipts throughout Maryland. The MBE Program generated a total of \$1.60 in total economic impact per dollar of State procurement expenditures.

Exhibit 4: FY2013 Economic Impact of MBE Payments in Maryland

	Direct	Secondary	Total
Expenditures (\$millions)	\$1,600.6	\$1,264.9	\$2,865.5
Per \$1 of MBE Procurements	\$0.89	\$0.71	\$1.60
Employee Wages & Salaries (\$millions)	\$714.8	\$395.6	\$1,110.4
Employment (FTEs)	18,104	8,692	26,796
Per \$1 million of MBE Procurements	10.1	4.8	14.9
State Tax Receipts (\$millions)	\$43.0	\$23.7	\$66.7
Sales and Use Tax	\$19.6	\$10.6	\$30.2
Personal Income Tax	\$23.4	\$13.1	\$36.5
Local Income Surtax (\$millions)	\$14.0	\$8.2	\$22.3
State and Local Tax Receipts (\$millions)	\$57.0	\$31.9	\$88.9

Sources: Governor's Office of Minority Affairs, DBED Office of Research and Information Services, IMPLAN 2012

Exhibit 5 summarizes total economic impact data by contract category. Payments to Maryland MBEs on prime contracts was \$967.5 million in FY2013, representing 92% of total spending on prime contracts and 60% of all in-state MBE spending for both prime contracts and subcontracts. Local expenditures on prime contracts resulted in an overall economic impact of \$1.76 billion, helped support a total of 18,684 jobs and produced an estimated \$57.1 million in selected State and local tax receipts.

MBE procurement spending on subcontracts within Maryland totaled \$633.1 million, representing 86% of the total in-state and out-of-state spending on subcontracts and 40% of all in-state expenditures. These expenditures resulted in an overall economic impact of \$1.1 billion, supported a total of 8,113 jobs and generated an estimated \$32.2 million in selected State and local tax receipts.

Exhibit 5: FY2013 Economic Impact of MBE Payments in Maryland by Contract Category

	PRIME		SUBCONTRACT		ALL CONTRACTS	
	Direct	Total	Direct	Total	Direct	Total
Expenditures	\$967.5	\$1,759.2	\$633.1	\$1,106.3	\$1,600.6	\$2,865.5
Per \$1 of MBE Procurements	\$0.54	\$0.98	\$0.35	\$0.62	\$0.89	\$1.60
Employee Wages & Salaries	\$453.7	\$697.8	\$261.1	\$412.6	\$714.8	\$1,110.4
Employment (FTEs)	13,207	18,684	4,897	8,113	18,104	26,796
Per \$1 million of MBE Procurements	7.4	10.4	2.7	4.5	10.1	14.9
State Tax Receipts	\$28.7	\$43.3	\$14.3	\$23.4	\$43.0	\$66.7
Sales and Use Tax	\$14.4	\$21.0	\$5.2	\$9.2	\$19.6	\$30.2
Personal Income Tax	\$14.3	\$22.3	\$9.1	\$14.2	\$23.4	\$36.5
Local Income Surtax	\$8.9	\$13.9	\$5.6	\$8.8	\$14.0	\$22.3
State and Local Tax Receipts	\$37.6	\$57.1	\$19.9	\$32.2	\$57.0	\$88.9

Sources: Governor's Office of Minority Affairs, DBED Office of Research and Information Services, IMPLAN 2012