Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 570 (Senator Hester)
Education, Energy, and the Environment Economic Matters

Public Utilities - Thermal Energy Network Systems - Authorization and Establishment (Working for Accessible Renewable Maryland Thermal Heat (WARMTH) Act)

This bill authorizes an electric company, a gas company, or a water company to own, manage, and recover costs associated with a thermal energy network system, subject to Public Service Commission (PSC) approval and other specified requirements. By July 1, 2025, each gas company that serves at least 75,000 customers must submit one or two proposals for a pilot thermal energy network system to PSC for approval. PSC may decide on the proposals by December 31, 2025. The Maryland Energy Administration (MEA) must coordinate specified funding sources to assist an electric, gas, or water company in covering the costs for all behind-the-meter projects, as specified, and must reserve $9.0 million in related federal funding for pilot systems. MEA must also coordinate with the Department of Housing and Community Development (DHCD) to provide services or funding for weatherization for all low- or moderate-income housing within a pilot system's area. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Special fund expenditures for PSC administrative costs increase by $367,700 to $730,600 annually from FY 2025 through 2029; special fund revenues for PSC increase correspondingly from assessments imposed on public service companies. Special fund expenditures for MEA increase by $1.1 million in FY 2025 and by $103,600 to $117,900 annually from FY 2025 through 2029. Transportation Trust Fund (TTF) expenditures increase by $25,000 to $50,000 in FY 2025 for the Maryland Department of Transportation (MDOT) to conduct a disparity study. Other federal/special funds for MEA and DHCD are assumed to be reallocated beginning in FY 2026. Other potential and operational effects are discussed below. The effect on utility rates is discussed in the Additional Comments section below.

Local Effect: While there are likely local permitting activities associated with thermal energy network systems, overall, the bill does not materially affect local government finances or operations. The effect on utility rates is discussed in the Additional Comments section below.

Small Business Effect: Meaningful. The effect on utility rates is discussed in the Additional Comments section below.

Analysis

Bill Summary:

Key Definitions

"Thermal energy network system" means a system:

- of closed loop underground piping infrastructure, including geothermal boreholes, leading up to a utility meter for the conveyance or storage of renewable, nongreenhouse gas (GHG)-emitting thermal energy; and
- that creates a network of customers with thermal energy for heating and cooling through noncombusting electric heat pumps.

"Pilot system" means a pilot thermal energy network system developed by a gas company to replace gas infrastructure with a thermal energy network system.

"Behind-the-meter project" means a project that involves a physical, operational, or behavioral modification on the customer side of a utility meter, including replacement of appliances, retrofits, and panel upgrades. "Front-of-meter project" means a project that impacts the utility side of a meter.

General Authorizations and Requirements for Thermal Energy Network Systems

An electric company, a gas company, or a water company may own, manage, and recover costs associated with a thermal energy network system subject to the approval of PSC, and may drill a geothermal borehole in a public utility right-of-way where feasible to meet the requirements of the bill.

For any front-of-meter or behind-the-meter projects related to the construction of any thermal energy network system under the bill, an electric company, a gas company, or a water company must work with employees already under contract with the company or use qualified contractors that abide by a community benefit agreement (with specified requirements). The company must also provide its employee bargaining unit an opportunity to (1) work on any front-of-meter or behind-the-meter projects related to the construction of any thermal energy network system and (2) provide maintenance and operations for any thermal energy network system. The company must also require a contractor or subcontractor on a project to meet specified labor requirements, such as paying the area prevailing wage and offering healthcare and retirement benefits.

Gas Company Pilot Program

Application Process

By October 1, 2024, each gas company that serves at least 75,000 customers in its distribution territory must begin to develop a plan for a pilot system or systems and file notice with PSC that the company has begun plan development, subject to additional specified requirements. In practice, this applies to Baltimore Gas and Electric Company and Washington Gas Light Company. A gas company that serves fewer than 75,000 customers in its distribution territory *may* develop a plan for a pilot system or systems in accordance with the bill.

By July 1, 2025, each gas company that serves at least 75,000 customers in its distribution territory must submit either one or two proposals for a pilot system to PSC for approval, subject to various specified requirements. A gas company that serves fewer than 75,000 customers in its distribution territory *may* submit a proposal for a pilot system to PSC after providing at least 60 days' advance notice.

A proposal for a pilot system must (1) ensure that at least 80% of a pilot system's customers are from low- or moderate-income housing and (2) demonstrate that the gas company has obtained, or is reasonably certain to obtain, any available federal funding. Each proposal must address multiple aspects of the pilot system, including:

- how the pilot system will develop useful information for the adoption of regulations governing thermal energy network systems;
- how the pilot system furthers GHG emissions reduction goals;
- how the pilot system advances financial and technical approaches to equitable and affordable building electrification;
- how the pilot system creates benefits to its customers, employees, and society at large;
- how the pilot system contributes to avoiding costs to electric distribution and transmission systems and gas pipe replacement;
- the extent to which the proposal gives priority to underserved or overburdened communities, as defined; and

- safety, reliability, operations, maintenance, customer complaint resolution, and emergency response.

Each proposal must include (1) a proposed rate structure for the pilot system that is projected to ensure that any customer participating in the pilot system does not pay more for utilities than if the customer had not participated and (2) a proposed set of measurements of energy units and accounting standards.

A municipality, county, or community organization may submit neighborhoods to gas companies for consideration as part of a pilot system; if such an entity does so, it must submit a copy of the proposal to PSC.

Evaluation and Approval Process

By December 31, 2025, PSC may approve, approve with modifications, or reject a proposal. If PSC determines that a proposal is in the public interest and is cost-effective, it may approve, approve with modifications, or reject the proposal, subject to specified requirements. In making the determination, PSC must:

- consider the projected costs and benefits of the projects proposed for inclusion in the pilot system by using a test that includes (1) societal costs and benefits and (2) avoided energy and infrastructure investments;
- determine whether the pilot system is in the public interest and in the interest of ratepayers;
- determine how each pilot system's performance will be evaluated during the pilot system's duration;
- ensure that each pilot system has a provision for customer opt-outs and details ratepayer impacts; and
- determine whether the proposal is cost-effective, as specified.

Each gas company must complete construction of a pilot system within one year after PSC approves the system, although PSC may extend the deadline for good cause. Upon completion of a pilot system, the gas company must file with PSC any information relevant to the above decision criteria. Each gas company implementing a pilot system must participate in standardized data collection coordinated by PSC, as specified.

Each pilot system must meet the requirements for pilot systems under the bill for two years after the pilot system is initiated and operational. After that, PSC, in consultation with MEA, the Office of People's Counsel (OPC), the company, a representative of the employees of the company, and participating customers, must determine whether to make the pilot system permanent. A pilot system made permanent must still continue to meet requirements in place for pilot systems.

Cost Recovery

A gas company may request approval from PSC to track the costs of developing a proposal for a pilot thermal energy system under the bill. PSC must approve the request if the proposed plan and costs are found to be necessary to meet the requirements of the bill, reasonable, and in the public interest. At a gas company's next rate case, PSC may authorize recovery of prudently incurred costs associated with developing the proposal and any carrying costs that PSC deems appropriate. If a determination is made that a pilot system will not be made permanent, PSC may approve recovery of all prudently incurred costs necessary for a gas company to comply with the determination.

Behind-the-meter Funding and Project Coordination

Before October 1, 2025, MEA must provide grants to community-based organizations for outreach in neighborhoods to increase participation in a pilot system and coordinate the implementation of an approved pilot system. A grant may be up to $1.0 million to each organization. The funding may be from the Strategic Energy Investment Fund (SEIF) or any other source of State or federal funding.

MEA must coordinate funding sources, including federal funding, philanthropic funding, EmPOWER Maryland funding, and SEIF funding allocated to energy efficiency, to assist an electric company, a gas company, or a water company in covering the costs for all behind-the-meter projects, including full electrification, associated with a thermal energy network system, ensuring affected residential customers are not required to pay for connection to the system or any appliance replacements required for electrification. Funds from the federal Inflation Reduction Act of 2022 may not exceed $14,000 per residential unit and $9.0 million in total. This requirement does not apply specifically or only to pilot systems.

Unless precluded by federal law, regulation, or program requirement guidelines, MEA must reserve $9.0 million of federal funding from the U.S. Department of Energy to ensure adequate funding for appliances installed in connection with a pilot system. Such funds must be allocated no later than June 30, 2028, and spent no later than June 30, 2030. In providing funding made available under the federal Inflation Reduction Act of 2022 for behind-the-meter projects, MEA must give priority to low- and moderate-income housing; this requirement also does not apply specifically or only to pilot systems.

MEA must also coordinate with DHCD to provide services or funding for weatherization for all low- or moderate-income housing within a pilot system's area.

A gas company implementing a pilot program must be responsible for construction, including any necessary renovations, for behind-the-meter projects related to any appliance or panel replacements or upgrades necessary to connect to a thermal energy network system and operate without gas. The gas company must also pursue all tax credits and federal funding available for front-of-the-meter and behind-the-meter projects and coordinate with MEA to access funds available under the federal Inflation Reduction Act, rebates and credits under EmPOWER Maryland, and any other available funds.

An electric, gas, or water company that owns and manages a pilot system must pay for any cost not covered by the funds and tax credits described above. Generally, any costs incurred by the company after all funds and tax credits have been applied may be recovered within one year through rate adjustments or another mechanism approved by PSC. However, if the company is required to own behind-the-meter infrastructure for a specified period of time in order to qualify for funding, (1) the costs must be recovered within that period of time; (2) the company must maintain the infrastructure during the ownership period; and (3) ownership must subsequently transfer to the customer. These requirements do not authorize or prohibit a company from recovering costs for behind-the-meter infrastructure that does not meet the requirements of the bill.

Minority Business Enterprise Requirements

To the extent practicable and authorized by the U.S. Constitution, an approved pilot system applicant and MES must comply with the State's Minority Business Enterprise (MBE) Program.

Within six months after the approval of a pilot system, the Governor's Office of Small, Minority, and Women Business Affairs (GOSBA), in consultation with the Office of the Attorney General and the gas company operating the approved pilot system, must establish a clear plan for setting reasonable and appropriate MBE participation goals and procedures for the pilot system. To the extent practicable, the goals and procedures must be based on the requirements of the State's Certified Local Farm and Fish Program.

Decommissioning

PSC must adopt regulations addressing the decommissioning or discontinuance of a pilot system, including regulations ensuring that the customers who participated in the pilot system do not incur additional expenses for the decommissioning or installation of an appliance that is used in the pilot system and is decommissioned before the end of its useful life.

Current Law:

Public Service Commission

PSC must supervise and regulate public service companies subject to its jurisdiction to (1) ensure their operation in the interest of the public and (2) promote adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In doing so, PSC must consider the public safety, the economy of the State, the maintenance of fair and stable labor standards for affected workers, the conservation of natural resources, the preservation of environmental quality, the achievement of the State's climate commitments for reducing GHG emissions, and the protection of a public service company's infrastructure against cybersecurity threats. PSC must also enforce compliance with legal requirements by public service companies.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative (RGGI), and the fund also receives alternative compliance payment revenues generated under Maryland's Renewable Energy Portfolio Standard. RGGI proceeds received by SEIF are allocated as follows:

- at least 50% to an energy assistance account, for energy assistance programs in the Department of Human Services;
- at least 20% to a low- and moderate-income efficiency and conservation programs account and a general efficiency and conservation programs account for energy efficiency and conservation programs, projects, or activities and demand response programs (at least one-half of which must be used for low- and moderate-income programs);
- at least 20% to a renewable and clean energy programs' account for (1) renewable and clean energy programs and initiatives; (2) energy-related public education and outreach; and (3) climate change and resiliency programs; and
- up to 10% but no more than $7.5 million to an administrative expense account for costs related to the administration of the fund.

Among various renewable and clean energy programs funded by SEIF, MEA operates a Clean Energy Rebate Program established in MEA regulations that provides both residential and commercial clean energy rebates. The rebate amount for residential solar energy systems is $1,000.

EmPOWER Maryland Energy Efficiency Act

In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company's 2016 sales.

Chapter 38 of 2022 (the Climate Solutions Now Act) further increased the goal to 2.25% per year in 2025 and 2026 and to 2.5% annually thereafter. The Act also specified that the core objective of the reductions must include development and implementation of a portfolio of mutually reinforcing goals, including GHG emissions reduction, energy savings, net customer benefits, and reaching underserved customers. The Act included related administrative requirements in uncodified language.

DHCD participates in EmPOWER through two special fund programs: the Limited Income Energy Efficiency Program (LIEEP) and the Multifamily Energy Efficiency and Housing Affordability (MEEHA) Program. LIEEP helps low-income households undertake energy conservation projects in their homes at no charge, while MEEHA promotes energy efficiency and affordability in the State's multifamily rental housing developments for low- and moderate-income households. Approved program costs are recovered by electric companies on customer bills. Chapter 572 of 2023 required that DHCD energy efficiency and conservation programs be designed to achieve a target annual incremental gross energy savings compared to 2016 of at least 0.53% in calendar 2024, 0.72% in calendar 2025, and 1.0% in calendar 2026 – a significant increase from savings in prior EmPOWER program cycles.

Minority Business Enterprise Program

MDOT is designated in State regulations as the State's MBE certification agency. See the **Appendix – Minority Business Enterprise Program** for additional information.

State Fiscal Effect:

Pilot Program Evaluation and Approval – Public Service Commission and Office of People's Counsel

PSC requires two additional staff and consultant services to implement the bill, which includes evaluating the gas company pilot proposals, development of evaluation criteria, monitoring project progress, evaluating completed projects, and determining viability of a permanent program. The bill also establishes permanent, general authorizations for thermal energy network systems, subject to PSC approval. As such, this estimate assumes PSC staff are permanent and consultant services related to pilot system evaluation are required through fiscal 2029.

Accordingly, special fund expenditures for PSC increase by $367,728 in fiscal 2025, which accounts for a six-month start-up delay. This estimate reflects the cost of hiring one regulatory economist and one staff attorney to work with the consultant to complete the tasks described above. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and $250,000 for consultant services.

Positions	2.0
Salaries and Fringe Benefits	$100,756
Consultant Costs	250,000
Other Operating Expenses	16,972
Total FY 2025 PSC Expenditures	**$367,728**

Future year expenditures, which range from $703,398 in fiscal 2026 to $730,620 in fiscal 2029, reflect (1) full salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) consultant costs of $500,000 annually.

Generally, PSC is funded through an assessment on the public service companies that it regulates. As a result, special fund revenues for PSC increase correspondingly from assessments imposed on public service companies.

Special fund expenditures for OPC for consultants to evaluate the pilot program may also increase beginning as early as fiscal 2026 when applications are first filed and continuing through fiscal 2029 as pilot systems are evaluated, although OPC advises that it depends on the number of rate cases and other matters requiring OPC's resources in the fiscal year of the determination. OPC is also funded through assessments on public service companies; thus, any additional special fund expenditures are funded through a corresponding increase in special fund revenues from assessments imposed on public service companies.

Program Implementation

MEA must coordinate funding sources, including federal funding, philanthropic funding, EmPOWER Maryland funding, and SEIF funding allocated to energy efficiency, to assist an electric, gas, or water company in covering the costs for all behind-the-meter projects, including full electrification, associated with a thermal energy network system, ensuring affected residential customers are not required to pay for connection to the system or any appliance replacements required for electrification. The bill limits federal Inflation Reduction Act funding for behind-the-meter costs on approved thermal energy pilot systems to $9.0 million, with a limit of $14,000 per residential unit, and also reserves that funding for pilot systems, subject to specified requirements.

The $9.0 million in reserved federal funds, and SEIF energy efficiency funds, are assumed to be used for similar purposes absent the bill, on a similar timeline. An unknown amount of DHCD special and/or federal funds for EmPOWER are assumed to be reallocated to provide weatherization to low- or moderate-income housing within the pilot system's area – the funds would have been otherwise used for similar purposes. This estimate also assumes that *total* funding for grants to community-based organizations is $1.0 million and is provided from SEIF in fiscal 2025, and that MEA requires one additional full-time staff to coordinate the funding (and that sufficient SEIF administrative funds are available).

Accordingly, special fund expenditures for MEA increase by $1,059,901 in fiscal 2025, which accounts for a six-month startup delay. This estimate reflects the cost of hiring one program manager to coordinate the multiple sources of funding across multiple agencies and thermal energy network systems. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and $1.0 million in grants to community-based organizations.

Position	1.0
Salary and Fringe Benefits	$52,915
Grants to Community-Based Organizations	1,000,000
Operating Expenses	6,986
Total FY 2025 MEA Expenditures	**$1,059,901**

Future year MEA administrative expenditures, which range from $103,594 in fiscal 2026 to $117,872 in fiscal 2029, reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additionally, $9.0 million of federal funding for MEA, an unknown amount of SEIF energy efficiency funds, and an unknown amount of special and/or federal funds for DHCD's EmPOWER programs are reallocated beginning in fiscal 2026 and potentially through fiscal 2029 or later, although exact amounts and timing are unknown. State finances are further affected if other funds are provided for pilot and/or nonpilot systems, additional grants are provided to community-based organizations, and/or MEA experiences additional administrative costs.

DHCD anticipates a small operational impact from the requirement to coordinate with MEA on the use of EmPOWER funds, which the department anticipates can be accomplished with existing resources.

The bill specifies certain enforcement and administrative requirements related to community benefit agreements for the Maryland Department of Labor, which can be accomplished with existing resources.

Minority Business Enterprise Goals

TTF expenditures increase by $25,000 to $50,000 in fiscal 2025 for MDOT to conduct a disparity study (independent of an ongoing statewide disparity study scheduled for completion in September 2024) in accordance with constitutional requirements for the MBE program. After completion of the study, it is assumed that GOSBA can establish a plan for setting MBE goals for covered projects with existing resources.

Small Business Effect: Small businesses that provide geothermal heat pump equipment and installations may benefit from the projects funded and undertaken due to the bill. Some property owners may also benefit from subsidized new equipment and appliances, depending on the systems authorized by PSC.

Additional Comments: MEA advises that federal guidance issued in November 2023 indicates that the federal investment tax credit available under the federal Inflation Reduction Act of 2022 cannot be used for projects where the utility owns part of the geothermal system (such as underground coils) and a property owner owns another part (such as appliances or pumps). The guidance is still under review at the federal level and it is not possible to predict when or if the matter will be resolved. The bill is structured for utility ownership.

Generally, costs not covered by federal, State, or other funding sources for thermal energy network systems, plus a rate of return on the utility-owned systems, can be expected to be recovered through utility rates, although the magnitude of any increase is unknown at this time. The effect on any particular unit of government or small business is unknown and depends on the increase in rates for the affected customer class.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 397 (Delegate Charkoudian) - Economic Matters.

Information Source(s): Maryland Energy Administration; Public Service Commission; Office of People’s Counsel; Maryland Department of Transportation; Maryland Department of Labor; Department of Housing and Community Development; Department of General Services; Maryland Department of the Environment; Office of the Attorney General; Governor’s Office of Small, Minority, and Women Business Affairs; Maryland Environmental Service; Harford County; towns of Bel Air and Leonardtown; Baltimore Gas and Electric Company; Department of Legislative Services.

Fiscal Note History: First Reader - February 21, 2024
js/mcr Third Reader - April 5, 2024
Revised - Amendment(s) - April 5, 2024

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Appendix – Minority Business Enterprise Program

The State's Minority Business Enterprise (MBE) program requires that a statewide goal for MBE contract participation be established biennially through the regulatory process under the Administrative Procedure Act. The biennial statewide MBE goal is established by the Special Secretary for the Governor's Office of Small, Minority, and Women Business Affairs (GOSBA), in consultation with the Secretary of Transportation and the Office of the Attorney General (OAG). In a year in which there is a delay in establishing the overall goal, the previous year's goal applies. The Special Secretary is also required to establish biennial guidelines for State procurement units to consider in deciding whether to establish subgoals for different minority groups recognized in statute. In a year in which there is a delay in issuing the guidelines, the previous year's guidelines apply. The Maryland Department of Transportation is the State's MBE certification agency.

In August 2013, GOSBA announced a new statewide goal of 29% MBE participation that applied to fiscal 2014 and 2015; as no new goal has been established, the 29% goal remains in effect for fiscal 2024. GOSBA issued subgoal guidelines in July 2011 and then updated them effective August 2020, as summarized in **Exhibit 1.** The guidelines state that subgoals may be used only when the overall MBE goal for a contract is greater than or equal to the sum of all recommended subgoals for the appropriate industry, plus two. MBE prime contractors may count their own work for up to 50% of a contract's MBE goal and up to 100% of any contract subgoal. Their full participation counts toward the State's 29% goal.

Exhibit 1
Subgoal Guidelines for Minority Business Enterprise Participation

	Construction	Architectural/ Engineering	Maintenance	Information Technology	Services	Supplies/ Equipment
African American	8%	7%	9%	10%	-	6%
Hispanic	-	-	3%	-	2%	2%
Asian	-	-	2%	-	3%	-
Women	11%	10%	-	10%	10%	8%
Total	**19%**	**17%**	**14%**	**20%**	**15%**	**16%**
Total +2	**21%**	**19%**	**16%**	**22%**	**17%**	**18%**

Source: Governor's Office of Small, Minority, and Women Business Affairs

There are no penalties for agencies that fail to reach the statewide target. However, Chapters 155 and 156 of 2022 require GOSBA to refer prime contractors that persistently fail to meet MBE participation goals on their contracts to OAG for debarment for up to three years.

History and Rationale of the Minority Business Enterprise Program

In 1989, the U.S. Supreme Court held in the *City of Richmond v. J.A. Croson Co.* that state or local MBE programs using race-based classifications are subject to strict scrutiny under the equal protection clause of the Fourteenth Amendment to the U.S. Constitution. In addition, the ruling held that an MBE program must demonstrate clear evidence that the program is narrowly tailored to address actual disparities in the marketplace for the jurisdiction that operates the program. As a result, prior to each reauthorization of the State's MBE program, the State conducts a disparity study to determine whether there is continued evidence that MBEs are underutilized in State contracting.

The disparity study completed in 2017 serves as the basis for the most recent reauthorization of the MBE program. It found continued and ongoing disparities in the overall annual wages, business earnings, and rates of business formation between nonminority males and minorities and women in Maryland. For instance, average annual wages for African Americans (both men and women) were 37% lower than for comparable nonminority males; average annual wages for nonminority women were 33% lower than for comparable nonminority males. It also found continued disparities in the use of MBEs by the State compared to their availability in the marketplace to perform work in designated categories of work. For instance, African American-owned construction businesses were paid 5.1% of State construction contract dollars, but they made up 10.3% of the construction sector in the relevant State marketplace. Nonminority women-owned construction businesses were paid 7.5% of State construction contract dollars but made up 13.7% of the construction sector. According to the analysis, these differences were large and statistically significant.

The MBE program is scheduled to terminate July 1, 2025; Chapters 137 and 138 of 2023, which reauthorized the program for the tenth time since its inception, also extended the due date for the new disparity study to September 2024 to inform the subsequent reauthorization process. **Exhibit 2** provides MBE participation rates for major Executive Branch agencies based on contract awards made during fiscal 2022 and 2023.

Exhibit 2
Minority Business Enterprise Participation Rates, by Agency
Fiscal 2022 and 2023

	% MBE Participation	
Cabinet Agency	**FY 2022**	**FY 2023**
Aging	4.2%	1.2%
Agriculture	4.4%	3.2%
Budget and Management	7.4%	32.9%
Commerce	1.8%	53.8%
Education	23.0%	11.5%
Environment	18.9%	37.9%
Executive Department	6.6%	4.6%
General Services	20.1%	19.5%
Health	5.5%	8.4%
Higher Education Commission	2.1%	3.0%
Housing and Community Development	36.7%	48.5%
Human Services	15.0%	10.5%
Information Technology	1.6%	14.4%
Juvenile Services	6.0%	6.5%
Labor	1.4%	18.6%
Military	0.7%	22.3%
Natural Resources	0.6%	10.2%
Planning	0.3%	0.0%
State Police	13.3%	20.9%
Public Safety and Correctional Services	41.0%	6.2%
Transportation – Aviation Administration	22.6%	22.1%
Transportation – Motor Vehicle Administration	61.8%	20.2%
Transportation – Office of the Secretary	26.9%	48.5%
Transportation – Port Administration	9.7%	13.1%
Transportation – State Highway Administration	20.9%	21.7%
Transportation – Transit Administration	24.8%	12.0%
Transportation – Transportation Authority	18.8%	19.4%
Statewide Total[1]	**17.3%**	**17.9%**

[1] Includes the University System of Maryland, Morgan State University, St. Mary’s College of Maryland, and non-Cabinet agencies.

Source: Governor’s Office of Small, Minority, and Women Business Affairs

Requirements for Minority Business Enterprise Certification

An MBE is a legal entity, other than a joint venture, that is:

- organized to engage in commercial transactions;
- at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged; and
- managed by, and the daily business operations of which are controlled by, one or more of the socially and economically disadvantaged individuals who own it.

A socially and economically disadvantaged individual is defined as a citizen or legal U.S. resident who is African American, Native American, Asian, Hispanic, physically or mentally disabled, a woman, or otherwise found by the State's MBE certification agency to be socially and economically disadvantaged. An MBE owned by a woman who is also a member of an ethnic or racial minority group may be certified as being owned by both a woman and by a member of a racial or ethnic minority, but for the purpose of participating on a contract as an MBE, it can only be counted as one or the other.

A socially disadvantaged individual is someone who has been subject to racial or ethnic prejudice or cultural bias within American society because of his or her membership in a group and without regard to individual qualities. An economically disadvantaged individual is someone who is socially disadvantaged whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities compared with those who are not socially disadvantaged. An individual with a personal net worth in excess of $1.5 million, adjusted annually for inflation, is not considered economically disadvantaged. The inflation-adjusted limit for calendar 2024 is $2,073,412.