

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1206 (Delegate Phillips)
Government, Labor, and Elections

Procurement - Disadvantaged Business Enterprise (DBE) Reevaluation Assistance Program - Established

This bill establishes the Disadvantaged Businesses Enterprise (DBE) Reevaluation Assistance Program in the Department of Social and Economic Mobility (DoSEM) to provide assistance to DBEs pursuing recertification. DoSEM must collaborate with the Department of Commerce to provide services to eligible DBEs either directly or through third-party agreements. By December 31, 2027, DoSEM must submit a report on the program to the Governor, the Senate Budget and Taxation Committee, and the House Government, Labor, and Elections Committee. **The bill takes effect July 1, 2026, and terminates June 30, 2028.**

Fiscal Summary

State Effect: DoSEM can likely handle the bill’s requirements with existing resources, as discussed below. To the extent that available resources are not sufficient to serve all DBEs, additional staff and resources (as much as \$1.8 million) to support third-party providers may be needed only in FY 2027 and 2028. No effect on revenues.

Local Effect: None.

Small Business Effect: Minimal or none, as discussed below.

Analysis

Bill Summary: “Eligible business” means a Maryland-based business that was certified as a DBE by the federal government on October 3, 2025, and has been notified that it must

undergo reevaluation or has applied for recertification after a reevaluation denial. The program must be operational by December 1, 2026.

The purpose of the DBE Reevaluation Assistance Program is to provide the following services to eligible businesses:

- application preparation assistance;
- financial documentation assistance;
- ownership and control documentation review;
- narrative and affidavit preparation;
- legal structure compliance guidance;
- pre-submission application review for completeness; and
- administration appeal support that does not include legal assistance.

The program may provide these services directly or through agreements with third parties, including (1) small business development centers; (2) clinics operated by law schools or business schools; (3) nonprofit business support organizations; and (4) providers of accounting or legal assistance.

The program must identify opportunities to increase outreach to eligible businesses and maximize the provision of services to eligible businesses, including by hosting clinics, workshops, and one-on-one technical assistance.

The report on the program must include (1) the number of eligible firms served by the program; (2) the number of eligible firms served by the program that completed successful reevaluations under the federal DBE program; and (3) an estimate of the total amount of federal funding reserved by the program.

Current Law: The federal DBE program is designed to assist small business formation and growth by removing barriers to the participation of DBEs in U.S. Department of Transportation (USDOT)-assisted contracts, promoting the use of DBEs in all types of federally assisted contracts and procurement activities, and assisting the development of firms that can compete successfully in the marketplace outside the program. USDOT regulations place primary responsibility for the certification of DBE and Airport Concessions DBEs (ACDBEs) on states, and each state has a Unified Certification Program to provide assistance for applicant firms seeking certification. In Maryland, this certification is done by the Office of Minority Business Enterprise (OMBE). Prior to October 1, 2025, OMBE was located in the Maryland Department of Transportation (MDOT), which was designated in regulations as the DBE certification agency. However, Chapter 605 of 2025 created DoSEM and transferred OMBE from MDOT to DoSEM.

In October 2025, USDOT issued an interim final rule (IFR) requiring immediate changes to the DBE and ACDBE program regulations. The rule prohibits reliance on race- or gender-based presumptions of social and economic disadvantage for certification. Accordingly, all firms seeking or maintaining DBE or ACDBE certification must undergo recertification without relying on race- or gender-based presumptions. This involves submitting a personal narrative demonstrating their social and economic disadvantage. The IFR specifies that recertification of all eligible DBEs must be completed before the State can establish DBE subcontracting goals on federally funded transportation projects.

State Expenditures: Maryland has more than 7,600 certified DBE and ACDBE firms, representing more than 18.5% of the total number of DBE and ACDBE firms nationwide. As a result of the IFR, each of these firms must submit documentation and be reevaluated by OMBE to retain its status as a DBE or ACDBE.

On November 5, 2025, the Board of Public Works (BPW) authorized MDOT, acting on behalf of OMBE, to conduct an expedited procurement for “reevaluation review services via one or more qualified firms in order to comply with recent updates to Federal regulations.” As shown below, the agenda item submitted by MDOT clearly established that the services to be procured for OMBE were in direct response to the IFR:

“These new Federal rules have created urgent circumstances under which an [e]xpedited [p]rocurement is determined to be in the public’s best interest...The IFR requires each Unified Certification Program participant to complete the reevaluation process as quickly as practicable....The recommended awardee(s) will be required to assist [OMBE] with reevaluation of firms impacted by the IFR...Use of the expedited procurement method will add the necessary resources that will allow OMBE to review reevaluation requests from thousands of businesses.”

BPW’s approval of the item authorized MDOT, on behalf of OMBE, to obtain “20 resources” to perform DBE and ACDBE certification reviews. It noted that MDOT may make up to 20 separate awards or as few as one contract award for all 20 resources.

In January 2026, MDOT awarded two contracts totaling \$2.0 million (including options) to two vendors, and submitted the contracts to BPW for approval. In its submission, MDOT advised, “The recommended awardees [Aurora Technical Systems, LLC and Cool & Associates, LLC] **will assist the Office of Minority Business Enterprise within the Department of Social and Economic Mobility with reevaluation of firms impacted by the IFR**” [emphasis added]. At its February 18, 2026 meeting, BPW approved the contracts.

DoSEM advises that the expedited procurement approved by BPW was to address a certification backlog, not the recertification prompted by the IFR. Accordingly, DoSEM requests three new positions to manage the new program and \$1.5 million to support the work of third-party partners, for a total first-year cost of approximately \$1.8 million. However, given the timing of the BPW request (one month after the IFR) and the official records of the two BPW meetings cited above, the Department of Legislative Services disagrees with DoSEM's characterization that the two approved contracts (providing all 20 "resources") are not for DBE recertification services prompted by the IFR.

To the extent that OMBE can use the resources obtained through the expedited procurement to continue to provide recertification assistance to DBEs, DoSEM can likely implement the bill with existing resources. At a minimum, any costs to implement the bill are temporary and terminate when the bill terminates on June 30, 2028. To the extent that DoSEM requires additional staff and/or resources to support the work of third-party partners, general fund expenditures may increase by up to \$1.8 million for that purpose.

Small Business Effect: Assuming OMBE can use existing contracted resources to assist DBEs with the recertification process, the bill has minimal or no effect on small businesses. To the extent that the bill causes more resources to be applied to the recertification process, it has a meaningful effect on small businesses.

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Social and Economic Mobility; Department of Commerce; United States Department of Transportation; Department of Legislative Services

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