Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 547 (Senator Charles)
Budget and Taxation

Recipients of State and Local Government Funding - Reporting (Buy Maryland Reporting Requirements)

This bill requires the State or any county, municipal government, or person that receives funding from the State operating or capital budget to report to the Comptroller on the use of the funding and specified information on any contractors or subcontractors that receive any of the funding. Additionally, any individual or corporation that receives a payment from the State or any county or municipal government for providing goods or services and is required to file a tax return or declaration containing specified information to include specified information with the return. By December 31 of each year, the Comptroller must consolidate and summarize the information received from governmental units, corporations, and individuals and submit a report to the General Assembly. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by $100,000 in FY 2027 for one-time information technology costs. Expenditures (all funds) likely increase significantly beginning in FY 2027 for additional staff and modifications to procurement systems, but a reliable estimate is not available, as discussed below. No effect on revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	$0	$0	$0	$0	$0
GF Expenditure	100,000	0	0	0	0
GF/SF/FF Exp.	-	-	-	-	-
Higher Ed Exp.	-	-	-	-	-
Net Effect	($100,000)	$0	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: To the extent that county and municipal governments cannot meet the bill's requirements with existing resources, expenditures increase to hire additional staff. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary: "Unit" means a unit of State, county, or municipal government. On or before October 15 of each year, any unit or person must report to the Comptroller a description of the purpose of the funding as well as (1) the name of any entity, contractor, or subcontractor that receives any of the funding to perform work on behalf of the unit or person; (2) the address of any contractor and subcontractor used; (3) the number of employees each contractor of subcontractor employs; (4) the address where the work is performed; and (5) whether the contractor or subcontractor is a certified minority business enterprise (MBE).

Any individual or corporation that receives a payment from a unit for providing goods or services must include in its tax return or declaration (1) a description of the goods or services provided; (2) the number of individuals employed; (3) whether the individual or corporation is a certified MBE; (4) the name, address, number of employees, and MBE status of any entity, contractor, or subcontractor used to provide the goods or services; and (5) the address where the work is performed.

The report that the Comptroller submits to the General Assembly on the use of funding must include a summary by unit or person that identifies (1) the percentage of out-of-state and in-state contractors or subcontractors; (2) the average size, by employee, of the contractor or subcontractor; and (3) the percentage of contractors or subcontractors that are certified MBEs.

Current Law: For an overview of the State's MBE program, please see the **Appendix – Minority Business Enterprise Program**.

State law requires reporting of specified information on the use of MBEs in State contracts to the Office of Small, Minority, and Women Business Affairs (OSBA) as well as the Office of Minority Business Enterprise (OMBE), both of which are housed in the Department of Social and Economic Mobility. Within 90 days after the end of the fiscal year, each State agency is required to report the following information:

- the total number and value of procurement contracts between the agency and certified MBEs, by specific category of MBE and by industry types, including whether the MBE participated as a prime contractor or a subcontractor;

- the percentage of the total number and value of procurement contracts that MBEs represent, by specific category of MBE and by industry type;
- the total number and names of certified MBEs that participated as prime contractors or as subcontractors on contracts awarded by the agency;
- all procurement contracts awarded by the agency to MBEs, including a description of the contract and industry type;
- the results of any compliance assessment conducted by the agency, as specified; and
- other information as required by OSBA and OMBE and approved by the Board of Public Works (BPW).

On or before December 31 of each year, OSBA must submit a report to BPW, the Legislative Policy Committee, and the Joint Committee on Fair Practices and State Personnel Oversight summarizing the information it receives.

State Expenditures:

Administrative Impact on State Agencies

Because the bill applies to expenditures made with funds from the operating and capital budgets and does not establish a minimum reporting threshold, agencies likely have to report on nearly all expenditures, including small procurements, which for most agencies likely totals hundreds or thousands of transactions each year. Given the volume of transactions that could be captured, some agencies may be unable to meet the reporting requirement with existing resources. In particular, the need to collect data on subcontractors may be especially burdensome since agencies do not have contractual relationships with subcontractors. Accordingly, agencies may need additional staff to comply with the bill. Although some agencies advised that they can provide the necessary data using existing resources, other agencies with substantial procurement activity advised that additional staff are likely needed to collect and report the required data, including the Department of General Services, the Department of Housing and Community Development, the Maryland Department of Labor, the Maryland Department of Transportation, and the University System of Maryland. However, a reliable estimate is not possible without implementation experience under the bill.

Furthermore, although agencies already collect some of the information required under the bill as part of the procurement process, other required data is not typically collected. For example, agencies do not routinely request information such as the number of employees a contractor has or their address, particularly for subcontractors who often have limited or no direct communication with the procuring agency. In addition, agencies indicate that existing procurement and financial systems would likely require modifications to collect and track the bill's required information in a centralized location. These system changes

could result in one-time implementation costs, but a reliable estimate is not currently available.

Comptroller Implementation Costs

As the agency responsible for collecting and compiling the bill's required information from governmental units, corporations, and individuals, the Office of the Comptroller does not currently have an established mechanism to collect the data. Accordingly, the Office of the Comptroller anticipates a one-time cost of up to $100,000 in fiscal 2027 to develop a new tax-form schedule that filers can use to report the required information with their tax returns or declarations. Once this reporting mechanism is in place, the Office of the Comptroller is expected to be able to carry out the bill's reporting requirements with existing resources.

Local Expenditures: Because nearly all county and municipal governments receive some level of State operating or capital funding, most local jurisdictions are subject to the bill's reporting requirements. Given the volume of expenditures that may be captured, some local governmental units may lack the staff capacity to absorb the additional administrative workload with existing resources. Therefore, local government costs may increase to the extent that additional staff is needed to meet the reporting requirements of the bill.

Additional Information

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

Designated Cross File: HB 905 (Delegate Roberts, *et al.*) - Ways and Means.

Information Source(s): Baltimore County; Carroll County; Harford County; St. Mary's County; Maryland Association of Counties; Maryland Department of Emergency Management; City of Annapolis; Maryland Municipal League; Comptroller's Office; University System of Maryland; Department of Budget and Management; Department of General Services; Department of Housing and Community Development; Maryland Department of Labor; Department of Public Safety and Correctional Services; Maryland Department of Transportation; Department of Legislative Services

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me/mcr

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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 Office of Small, Minority, and Women Business Affairs (OSBA, now housed within the Department of Social and Economic Mobility or DoSEM), in consultation with the Secretary of Transportation, the Chief Procurement Officer, 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.

In August 2013, OSBA 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 2026. OSBA 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: 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 OSBA 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, the State periodically conducts a disparity study to determine whether there is continued evidence that MBEs are underutilized in State contracting.

The most recent disparity study, completed in September 2025, identified continued and ongoing disparities in annual wages, business earnings, and business ownership rates for minority- and women-owned businesses when compared to nonminority and male-owned businesses. The study found that minority-owned businesses in the Maryland Marketplace made up 47.4% of all businesses but captured only 17.6% of total sales, while nonminority male-owned businesses accounted for 29.9% of businesses and 66.7% of total sales. The study likewise identified disparities in the State's contracting with minority- and women-owned businesses, finding that these firms were consistently underutilized relative to their availability to perform State contracts. For instance, minority-owned businesses overall had an availability rate of 26.1% but were awarded contracts valued at only 15.2% of the total contract value awarded by the State. Nonminority women-owned businesses had an availability rate of 13.7% but were awarded contracts valued at only 7.1% of the total contract value awarded by the State. According to the analysis, these differences are large and statistically significant.

The MBE program is scheduled to terminate July 1, 2026; Chapters 620 and 621 of 2025, which reauthorized the program, also extended the due date for the new disparity study to September 2025 to inform the subsequent reauthorization process. As previously noted, this study was completed and published by the due date and is expected to serve as the empirical basis for the program's reauthorization. **Exhibit 2** provides MBE participation rates for major Executive Branch agencies based on contract awards made during fiscal 2023 and 2024, the most recent data available; as the exhibit shows, rates can vary considerably from year to year.

Exhibit 2
Minority Business Enterprise Participation Rates, by Agency
Fiscal 2023 and 2024

Cabinet Agency	% MBE Participation FY 2023	% MBE Participation FY 2024
Aging	1.2%	11.2%
Agriculture	3.2%	6.2%
Budget and Management	32.9%	3.0%
Commerce	53.8%	77.5%
Education	11.5%	21.9%
Environment	37.9%	17.5%
Executive Department	4.6%	2.2%
General Services	19.5%	21.4%
Health	8.4%	12.8%
Higher Education Commission	3.0%	20.9%
Housing and Community Development	48.5%	40.4%
Human Services	10.5%	38.9%
Information Technology	14.4%	23.7%
Juvenile Services	6.5%	15.5%
Labor	18.6%	3.7%
Military	22.3%	27.5%
Natural Resources	10.2%	5.9%
Planning	0.0%	3.9%
State Police	20.9%	12.7%
Public Safety and Correctional Services	6.2%	28.5%
Transportation – Aviation Administration	22.1%	20.4%
Transportation – Motor Vehicle Administration	20.2%	25.1%
Transportation – Office of the Secretary	48.5%	21.0%
Transportation – Port Administration	13.1%	16.4%
Transportation – State Highway Administration	21.7%	27.0%
Transportation – Transit Administration	12.0%	n/a
Transportation – Transportation Authority	19.4%	19.8%
Statewide Total[1]	**17.9%**	**22.0%**

MBE: Minority Business Enterprise
n/a: not available

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

Source: 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 2026 is $2,192,035.

The Office of Minority Business Enterprise (OMBE) handles MBE certification for the State. Chapter 605 of 2025 transferred OMBE from the Maryland Department of Transportation (MDOT), which had been the State's certification agency, to the new DoSEM. However, as procurement regulations have not been updated to reflect this transfer, MDOT is still designated as the MBE certification agency in regulations.