



Governor Wes Moore

Lt. Governor Aruna Miller

Secretary Walter L. Simmons

Bill Number: House Bill 1578
Title: State Procurement – Procurement Preferences – Reauthorization and Revisions
Committee: Government, Labor, and Elections
Hearing Date: March 3, 2026
Position: Favorable

Madam Chair and Members of the Committee:

The Maryland Department of Social and Economic Mobility (DoSEM) respectfully submits this written testimony in strong support of House Bill 1578, which primarily reauthorizes and strengthens Maryland’s Minority Business Enterprise (MBE) Program. HB 1578 continues one of Maryland’s most effective, evidence-driven strategies for expanding fair access to opportunity in markets supported by public spending and State-regulated activity.

Maryland’s MBE Program is a cornerstone of the State’s procurement and participation framework. Since its enactment in 1978, it has been periodically renewed and updated to remain both effective and constitutionally defensible.

This bill is also time-sensitive. Under current law, the MBE Program sunsets on July 1, 2026. Without action this session, the State’s statutory authority supporting MBE participation goals and related requirements will terminate—creating uncertainty for agencies, prime contractors, and the thousands of certified businesses that depend on predictable rules of the road to compete and grow.

HB 1578 provides stability while ensuring Maryland remains aligned with the constitutional standards that govern race- and gender-conscious remedial programs.

In *City of Richmond v. J.A. Croson Co.* (1989), the U.S. Supreme Court held that state and local programs using race-based classifications are subject to strict scrutiny, requiring (1) a compelling governmental interest supported by a strong evidentiary predicate and (2) narrow tailoring so the remedy fits the evidence and is applied flexibly.

HB 1578 advances these requirements in two key ways:

1. **It codifies the General Assembly’s findings from Maryland’s most recent disparity study** (“State of Maryland 2025 Minority Business Enterprise Disparity Study”). Codifying these findings strengthens the State’s “strong basis in evidence” for concluding that remedial action remains necessary in relevant markets.
2. **It reinforces narrow tailoring features already embedded in Maryland’s approach**, including the use of disparity study findings to calibrate goals, flexible participation mechanisms, and the existence of race-neutral tools within the broader procurement ecosystem (most notably, the Small Business Reserve Program).



Courts look favorably on programs that are periodically revisited and adjusted based on current evidence, rather than treated as permanent. Maryland’s model reflects that principle—renewal is not automatic; it is justified through evidence and legislative action. HB 1578 continues that prudent, constitutionally disciplined approach.

HB 1578 makes targeted updates that preserve the MBE Program’s effectiveness while also improving accountability and alignment across related participation tools:

- **The bill extends the sunset date for the MBE Program to July 1, 2031**, providing certainty and continuity for agencies and the business community.
- Maryland’s MBE Program applies not only to traditional procurement, but also to several State-regulated sectors involving State spending, licensing, or a public-benefit nexus: adult-use cannabis, public-private partnerships (P3s), offshore wind, video lottery terminals (VLT), and sports wagering. **HB 1578 extends the sunset for the MBE Program’s application to these sectors as well.**
- HB 1578 requires **quarterly reporting** on MBE and Small Business Reserve (SBR) participation and compliance (currently annual). More frequent reporting supports earlier identification of barriers, faster course correction, and improved transparency for the General Assembly and the public.
- HB 1578 also modernizes complementary procurement pathways by **expanding the SBR definition of “small business” to include joint ventures** that meet SBR criteria and requiring OSBA to adopt regulations establishing a **certification review process for SBR**, supporting integrity and consistency.
- This bill assigns DoSEM’s Secretary as **Chair of the Governor’s Subcabinet on Socioeconomic Procurement Participation** and adds the Secretary of Labor as a member—strengthening cross-agency alignment so that procurement participation efforts connect more directly to workforce and economic mobility outcomes.

DoSEM’s core mission is to remove structural barriers to upward mobility. HB 1578 advances that mission by ensuring that capable Maryland firms can compete, perform, and scale—not because of preference, but because Maryland is committed to a fair marketplace where public contracting dollars and State-regulated opportunity do not replicate historic exclusion.

HB 1578 is the right bill at the right time. It preserves a proven program, strengthens Maryland’s legal and evidentiary foundation, improves transparency and administration, and ensures the State’s participation framework remains effective across both procurement and key State-regulated sectors. For these reasons, DoSEM respectfully urges a favorable report on House Bill 1578.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Walter L. Simmons".

Walter L. Simmons
Secretary
Department of Social and Economic Mobility