

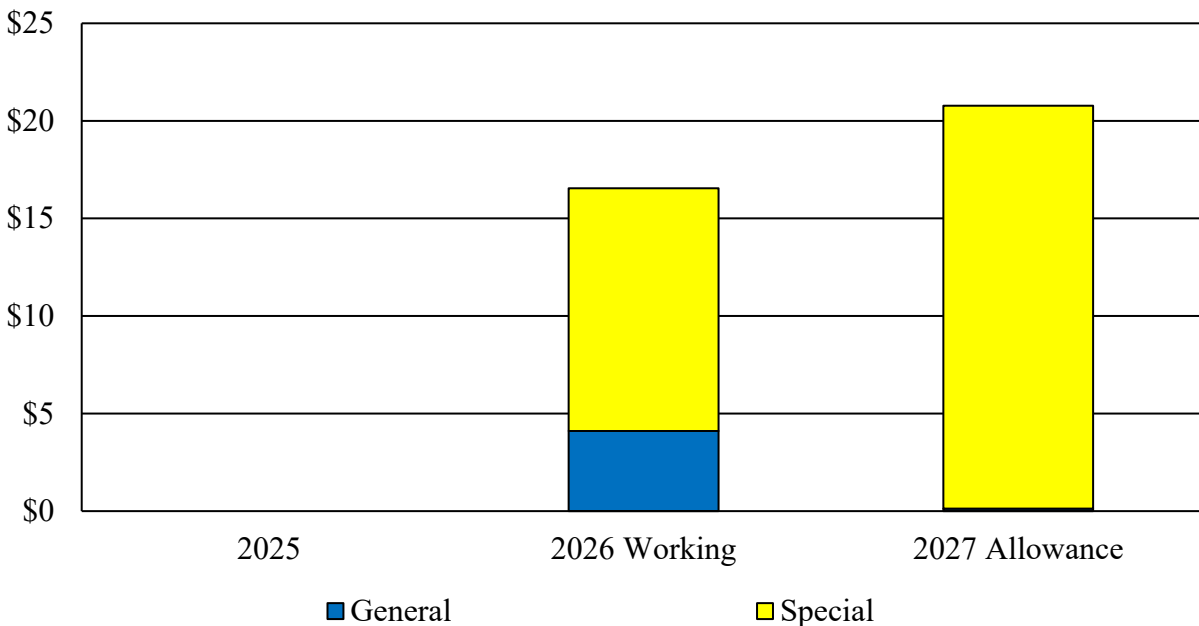
D24
Department of Social and Economic Mobility

Program Description

The Department of Social and Economic Mobility (DoSEM) was established by Chapter 605 of 2025 as a principal department in the Executive Branch to coordinate, monitor, and advance social equity initiatives across State government. DoSEM includes the Office of Small, Minority, and Women Business Affairs (OSBA), the Office of Social Equity (OSE), and the Office of Minority Business Enterprises (OMBE), consolidating these functions to provide coordination and oversight of social equity and small or disadvantaged business programs. The department is responsible for supporting State agencies, individuals, and businesses in the implementation of social equity policies; tracking and evaluating the performance of relevant programs; compiling reports and recommendations; and proposing strategies to improve the effectiveness and efficiency of State social equity efforts.

Operating Budget Summary

**Fiscal 2027 Budget Increases \$4.2 Million, or 25.6%, to \$20.8 Million
(\$ in Millions)**



Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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Fiscal 2026

Effective October 1, 2025, Chapter 605 transferred to DoSEM all staff and funding from the Governor’s OSBA within the Executive Department, OSE within the Maryland Cannabis Administration, and OMBE within the Maryland Department of Transportation. To implement these transfers, a fiscal 2026 budget amendment realigned funding and personnel. Funding for OSBA included the transfer of 17 regular positions and \$1.9 million in general funds. The realignment of OSE included \$8.0 million in special funds from the Cannabis Regulation and Enforcement Fund, 7 regular positions, and 4.4 contractual positions in fiscal 2026. In addition, \$3.2 million in special funds and a total of 37 regular positions and 1 contractual position were transferred from OMBE. This included one-time funding for 6 temporary positions. The amendment also transferred \$2.2 million in general funds and 9 positions from the Department of Budget and Management (DBM) to support expenses associated with establishing the new department. A subsequent budget amendment transferred an additional \$1.2 million from OMBE to DoSEM to support critical OMBE operating expenses.

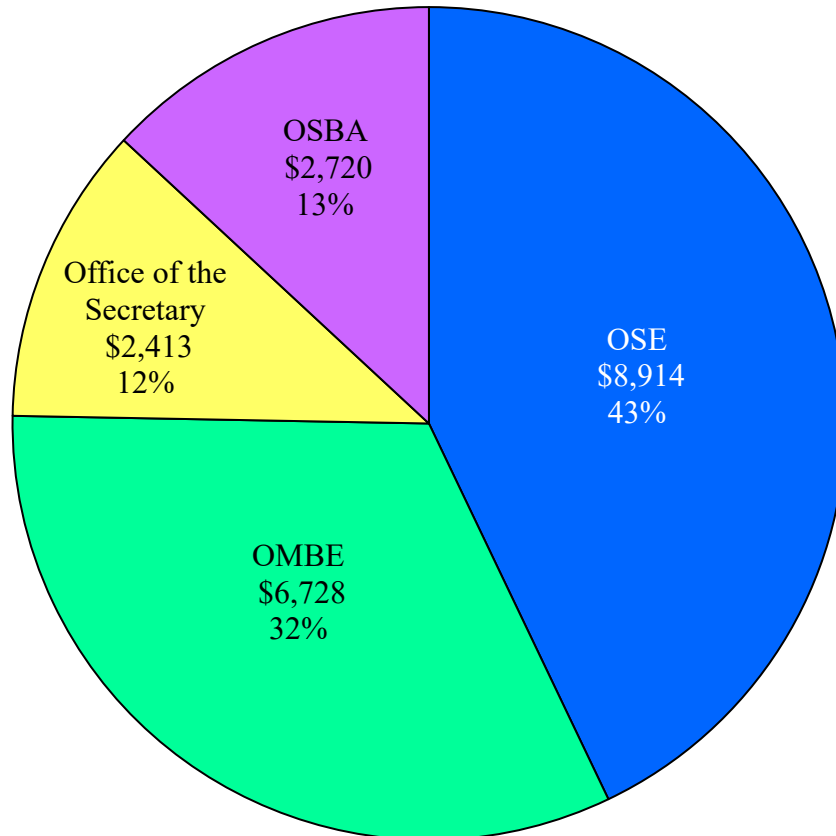
Status of Legislative Additions

Section 21 of the fiscal 2026 Budget Bill added \$2.2 million in general funds and 9 regular positions in the Statewide Account within DBM, contingent on the enactment of Chapter 605 establishing DoSEM. **DoSEM should comment on whether the 9 regular positions have been filled.**

Fiscal 2027 Overview of Agency Spending

Exhibit 1 shows the distribution of \$20.8 million in planned spending in the fiscal 2027 allowance for DoSEM. The largest component of the budget (43%) is OSE, totaling \$8.9 million, to support social equity initiatives. Additional funding supports OMBE at \$6.7 million (32%), and \$2.7 million (13%) is allocated to OSBA. Finally, the Office of the Secretary receives \$2.4 million (12%).

Exhibit 1
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Thousands)



OMBE: Office of Minority Business Enterprises
OSBA: Office of Small, Minority, and Women Business Affairs
OSE: Office of Social Equity

Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2027 allowance increases by \$4.2 million compared to the fiscal 2026 working appropriation. The spending growth is primarily driven by net increases in personnel expenses totaling \$2.6 million, reflecting reclassifications associated with staff realignment under the new department, along with higher employee and retiree health insurance and salary-related costs. Additional increases include \$335,971 for external consulting services, \$480,018 for additional workload associated with the reevaluation of disadvantaged business enterprise and airport concessions certification applications in OMBE, and \$353,391 for software licenses, maintenance, and acquisitions.

Exhibit 2
Proposed Budget
Department of Social and Economic Mobility
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
Fiscal 2026 Working	\$4,110	\$12,432	\$16,542
Fiscal 2027 Allowance	133	20,642	20,775
Fiscal 2026-2027 \$ Change	-\$3,977	\$8,210	\$4,233
Fiscal 2026-2027 % Change	-96.77%	66.04%	25.6%

Where It Goes: **Change**

Personnel Expenses

Reclassifications due to staff realignment under the new agency.....	\$2,476
Employee and retiree health insurance	387
Salary adjustments and associated fringe benefits	151
Turnover increases from 2.5% to 3.95%.....	-137
Additional assistance.....	-237

Office of Social Equity

Longitude Study to report on the impact and outcomes of the CRRF	100
System software realignment under the new agency	43
Licensee training	41
Investment Analysis to inform OSE’s strategic decisions and support social equity licensees	25

Office of Minority Business Enterprises

Reevaluation of all Disadvantaged Business Enterprise and Airport Concessions certification applications required by internal federal rule. This addresses a new workload for more than 7,000 businesses	480
Legal services.....	18

D24 – Department of Social and Economic Mobility

Where It Goes:	<u>Change</u>
Other Changes	
Software licenses, maintenance and acquisitions.....	353
External consulting services.....	336
Contracted non-IT services supporting program operations and administration	178
Cost allocations	161
Contractual personnel expenses associated with a net increase of 2.1 positions ...	140
Travel and motor vehicles.....	57
Supplies and materials.....	23
Fixed charges	-163
Other changes.....	-201
Total	\$4,233

CRRF: Community Reinvestment and Repair Fund
 IT: information technology
 OSE: Office of Social Equity

Note: Numbers may not sum to total due to rounding. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Budget Reconciliation and Financing Act

A provision in the Budget Reconciliation and Financing Act (BRFA) of 2026 as introduced expands the allowable uses of the Cannabis Business Assistance Fund (CBAF) for fiscal 2027 through 2029 to include operating costs of up to \$5.0 million for DoSEM. The fiscal 2027 budget as introduced for DoSEM includes \$5.0 million from the CBAF and a corresponding \$5.0 million general fund reduction, contingent on the enactment of legislation expanding the allowable uses of the CBAF to include general agency operations.

Chapter 26 of 2022 (Cannabis Reform) established the CBAF in the Department of Commerce (Commerce) to assist small, minority-, and women-owned businesses entering the cannabis industry. The CBAF is administered by Commerce and provides grants and loans to social equity applicants or those who live in areas that have been disproportionately affected by cannabis criminalization. Statute also allows the fund to be used for partnerships with minority-serving institutions including historically Black colleges and universities. The CBAF closed fiscal 2025 with a balance of more than \$40 million; after accounting for planned fiscal 2026 spending and anticipated cannabis sales tax revenue, the fund is projected to close fiscal 2026 with a balance of more than \$16 million.

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	0.00	70.00	71.00	1.00
Contractual FTEs	<u>0.00</u>	<u>5.40</u>	<u>7.50</u>	<u>2.10</u>
Total Personnel	0.00	75.40	78.50	3.10

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.86	5.51%
Positions and Percentage Vacant as of 12/31/25	14.00	20.00%
Vacancies Above Turnover	10.14	

- The fiscal 2027 allowance includes an increase of 1.0 regular position and 2.10 contractual full-time equivalent (FTE) positions. DoSEM indicated that 1 additional regular position will support the launch and implementation of the Veteran-Owned Small Business Reserve Program established by Chapter 601 of 2025. The position will be located within OSBA and will support the development of program policies and infrastructure, the creation of reporting and compliance mechanisms, expanded outreach and training activities, and system enhancements necessary to meet new statutory requirements. The 2.10 contractual FTEs reflect two Department of Service and Civic Innovation service year contracts through OSE. These positions are included to provide service year participants the opportunity to work within DoSEM offices.
- As of December 31, 2025, the agency reported 14 vacant positions. Of these, 8 positions had been vacant for fewer than 6 months, and 6 positions had been vacant for fewer than 12 months. By office, OSBA reported 3 vacant positions, OMBE reported 7 vacant positions, and the Office of the Secretary reported 4 vacant positions.

Key Observations

1. Organization of DoSEM

A total of four offices comprise DoSEM, including the Office of the Secretary to provide executive leadership and administrative oversight for the department. The Office of the Secretary is responsible for strategic planning, policy direction, coordination among component offices, and compliance with statutory reporting requirements. The office also oversees budget administration, personnel management, interagency coordination, and stakeholder engagement to ensure alignment of the department’s social equity and small business initiatives with statutory objectives.

OSBA

Under State law, OSBA promotes the participation of small, minority, and women-owned businesses in State programs and procurement. OSBA provides technical assistance and business development support and administers the Minority Business Enterprise (MBE) Program, the Small Business Reserve (SBR) Program, and the Veteran-Owned Small Business Enterprise Program. The office also monitors and reports on the performance of the State’s socioeconomic procurement programs and includes an MBE Ombudsman Unit that assists businesses with procurement-related issues.

OSE

OSE is responsible for advancing social equity initiatives associated with the State’s regulated cannabis program. OSE was established to support communities disproportionately affected by cannabis criminalization and the war on drugs by encouraging participation from impacted individuals and communities. The office assists social equity applicants and licensees, provides recommendations related to diversity and equity in the cannabis industry, and administers two programs – the Community Reinvestment and Repair Fund (CRRF) and the Social Equity Partnership Program (SEPP). The CRRF is funded by cannabis sales tax revenues and provides funding to local jurisdictions for community-based initiatives benefiting low-income communities and communities disproportionately impacted by cannabis criminalization. The SEPP supports qualifying partnerships between operational cannabis licensees and social equity licensees to provide training, mentorship, or shared commercial space or equipment.

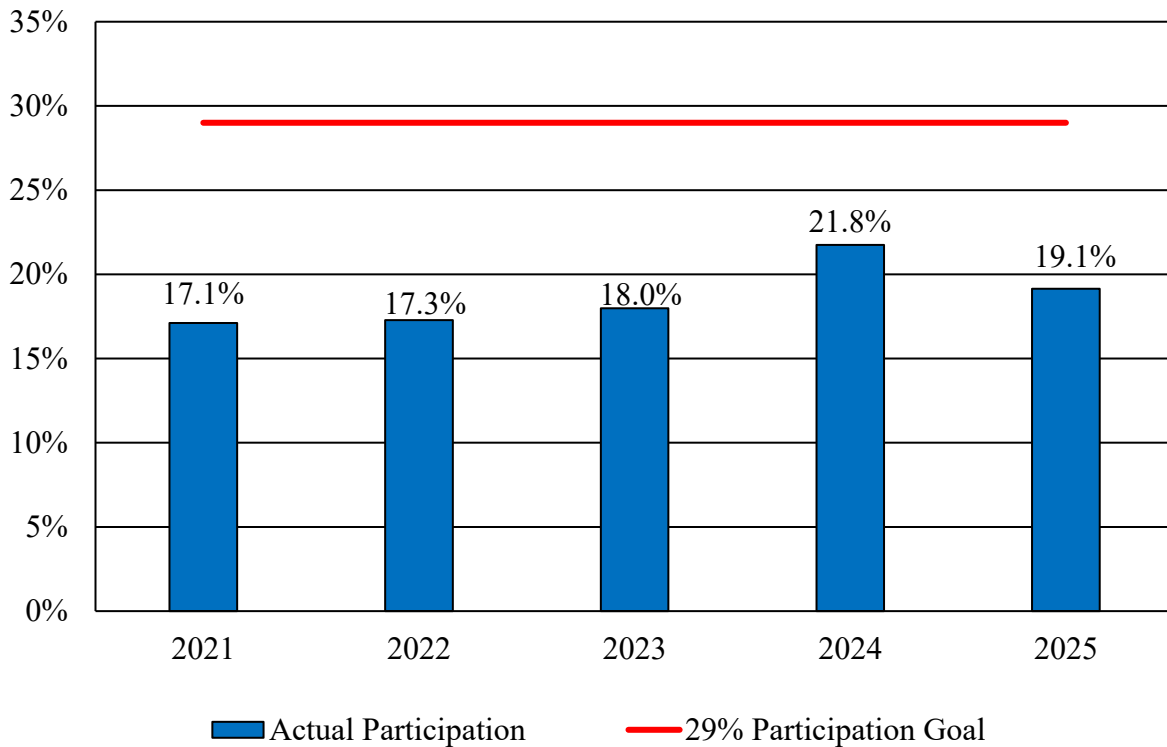
OMBE

OMBE is responsible for the certification and decertification of MBEs and related entities. This includes the certification of MBEs; disadvantaged business enterprises for federally funded transportation projects; airport concessions disadvantaged business enterprises, in accordance with federal requirements; and small business enterprises for federally aided transportation projects.

2. OSBA Performance Measures Show Persistent Gaps in MBE and SBR Participation Despite Increased Outreach and Training Activity

Performance measures for OSBA show that statewide participation goals for both the MBE Program and the SBR Program were not met during fiscal 2021 through 2025, despite modest improvements in certain years. As shown in **Exhibit 3**, MBE participation increased from 17.1% in fiscal 2021 to a peak of 21.8% in fiscal 2024 before declining to 19.1% in fiscal 2025, remaining below the statewide goal of 29% in each year. OSBA attributes the persistent gap to limited monitoring capacity at agencies, a constrained pool of certified MBEs in certain industries, and the composition of State procurement spending, including large or highly specialized contracts with limited subcontracting opportunities. According to OSBA, the year-to-year variation in participation is also influenced by fluctuations in overall State spending and the timing of large procurements, as well as external factors affecting vendor capacity.

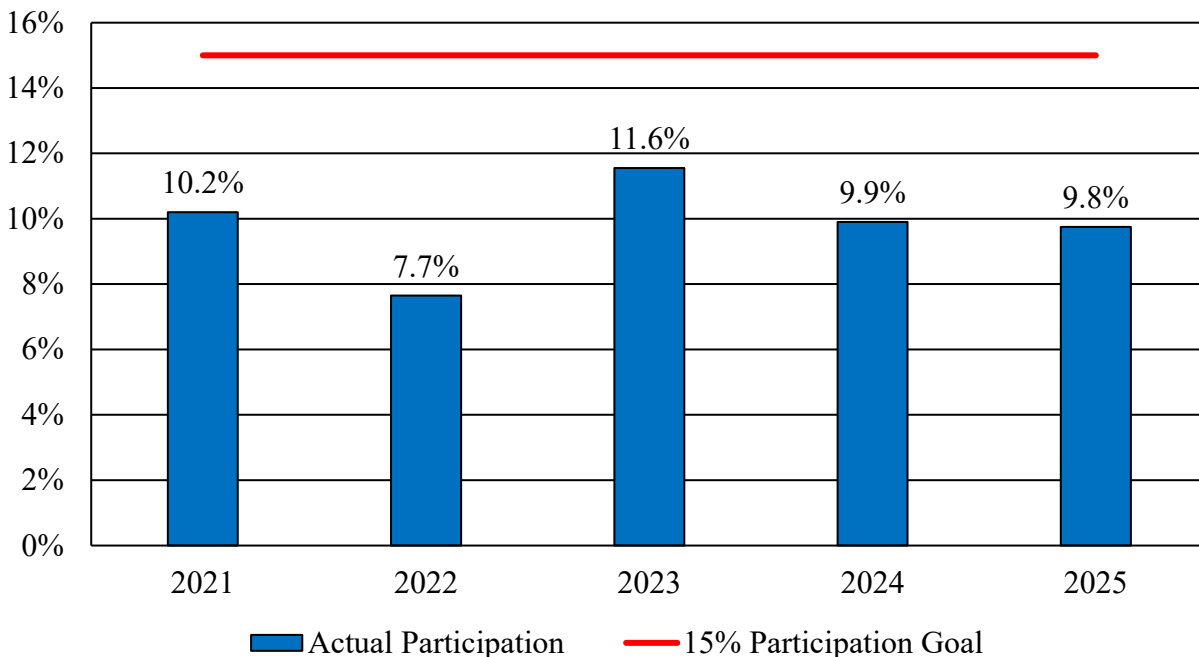
Exhibit 3
Minority Business Enterprise Participation Attainment
Fiscal 2021-2025



Source: Department of Budget and Management; Office of Small, Minority, and Women Business Affairs

Similarly, as shown in **Exhibit 4**, participation under the SBR Program remained below the 15% statewide goal across the period, fluctuating between 7.7% and 11.6% before remaining level at just under 10% from fiscal 2024 to 2025. OSBA indicates that reported participation has been affected by reporting and “scrubbing” issues, certification timing, and limitations in the designation of procurements at SBR. Legislative changes enacted in recent years, specifically through Chapter 582 of 2024, include expanding the count of awards to certified small businesses and increasing the use of SBR designations to improve future performance.

Exhibit 4
Small Business Reserve Participation Attainment
Fiscal 2021-2025

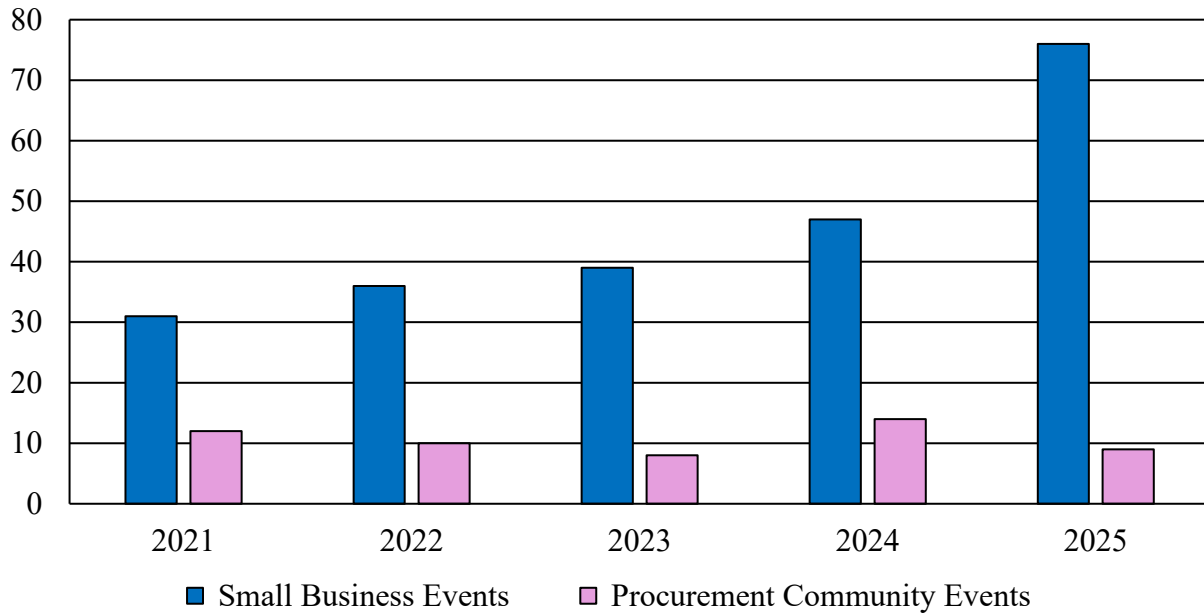


Source: Department of Budget and Management; Office of Small, Minority, and Women Business Affairs

In contrast to participation outcomes, OSBA’s outreach and training activity expanded significantly over the period, particularly for small businesses. As shown in **Exhibit 5**, the number of small business events increased from 31 in fiscal 2021 to 47 in fiscal 2024, an increase of 16 events (51.6%), and rose further to 76 events in fiscal 2025, an increase of 29 events (61.7%) over the prior year. Overall, small business events increased by 45 events (145.2%) between fiscal 2021 and 2025. This growth reflects a shift toward virtual delivery, increased event frequency, and expanded training formats. Procurement community training events declined during the COVID-19 pandemic recovery period and fluctuated thereafter, which OSBA attributes to changes in delivery models and the restructuring of procurement-focused programming. OSBA reported continued collaboration with State agencies and external partners to support procurement

education. The agency indicated that staffing and budget constraints continue to limit the scale and frequency of both outreach and procurement focused training activities.

Exhibit 5
Outreach, Education, and Training Events
Fiscal 2021-2025



Source: Department of Budget and Management; Office of Small, Minority, and Women Business Affairs

OSBA reports that expanded outreach and training efforts have contributed to growth in the pool of certified vendors, with increases in both MBE and SBR certifications. However, the agency notes that staffing, resource constraints, and limited agency level compliance capacity continue to affect the translation of outreach activity into higher participation outcomes. The establishment of DoSEM is intended to strengthen coordination, compliance monitoring, and technical assistance to address these persistent gaps.

MBE Participation Attainment Survey Report

Through agency MBE program participation surveys, OSBA collects self-reported data from all the State agencies and departments that participated in the MBE program and reviews the responses to gain insights on additional training, policies, procedures, or processes that may need to be implemented for better program outcomes. The liaison survey collects information from designated MBE and SBR program liaisons on the average amount of time spent administering these programs and if these positions are filled or vacant. The survey also collects information on procurement staffing levels, staff involved in MBE implementation, training attendance,

compliance monitoring responsibilities and processes, reported challenges to attaining MBE participation, and procurement award and payment data.

In response to language restricting funds in the fiscal 2026 Budget Bill, OSBA submitted a report on December 31, 2025, and provided additional information on the results of the agency MBE participation attainment survey, factors affecting MBEs and SBRs participation outcomes, and the agency’s capacity to monitor compliance and improve performance. OSBA reported a 66.7% survey response rate, with 48 survey responses of the 72 units that participate in the MBE program. The report also describes OSBA’s data collection methodology and outreach efforts to encourage participation and identifies the agencies that did not submit responses. The agencies identified limited staffing capacity, insufficient pools of certified vendors, and lack of automation as barriers to real-time compliance monitoring and early intervention. In response, OSBA reported implementing enhanced compliance monitoring practices, including an annual compliance assessment, quarterly internal compliance check-ins, updated liquidated damages guidance, and expanded training for procurement officers and MBE liaisons.

Upon review, the Department of Legislative Services (DLS) determined the report to be in compliance with the budget language and therefore recommends the \$100,000 in general funds be released. DLS will process a letter to this effect if no concerns are raised by the committees.

3. Implementation Status and Fund Utilization of the SEPP and the CRRF

DoSEM indicated that, while both the SEPP and CRRF programs are statutorily authorized and funded, full implementation and fund utilization remained limited during fiscal 2025, reflecting implementation challenges at both the State and local levels.

SEPP

During fiscal 2025, OSE advanced the SEPP through regulatory and administrative milestones but did not formally launch the program. OSE finalized regulations establishing program structure, eligibility, and oversight pursuant to the Cannabis Reform Act and completed development of the SEPP application portal within the State’s OneStop system. In addition, OSE conducted stakeholder engagement with social equity licensees and operational cannabis licensees to inform program design. DoSEM indicated that based on feedback regarding timing, incentives, and resource alignment, OSE intentionally delayed the planned launch to refine program parameters and avoid underutilization of funds.

The SEPP is supported by special fund revenues from the Cannabis Reinvestment and Enforcement Fund (CREF). Chapters 254 and 255 of 2023 require the Governor, beginning in fiscal 2025, to include a \$5.0 million annual appropriation for the program. A provision in the BRFA of 2025 expanded the allowable uses of the CREF to include supporting the SEPP and specified that the fund must be used to meet the mandated appropriation. None of the \$5.0 million in special funds authorized for the SEPP was expended or encumbered during fiscal 2025, and no

partnerships were approved during the fiscal year. OSE anticipates carrying forward the full \$5.0 million in fiscal 2026 for deployment once the program is formally launched. **DoSEM should discuss the anticipated launch timeline for the SEPP, identify any remaining administrative or programmatic steps required prior to implementation, and whether it expects to expend the full \$5.0 million in authorized funding in fiscal 2026.**

CRRF

The CRRF is structured to allow counties discretion in determining the use of funds based on local conditions rather than requiring a uniform statewide program design. According to DoSEM, many counties used fiscal 2025 to conduct community engagement activities, including listening sessions, needs assessments, and stakeholder outreach, prior to initiating expenditures. These activities were undertaken to inform program design and align with statutory requirements. In many cases, fund disbursement did not occur until after these preliminary steps were completed.

Counties also reported challenges associated with implementing a new funding stream, including establishing compliant grantmaking frameworks, aligning CRRF expenditures with existing procurement and budgeting rules, developing internal administrative capacity, and coordinating across departments in areas such as health, workforce development, and economic development. In some jurisdictions, additional time was required to identify eligible community-based partners and to establish reporting and accountability mechanisms prior to releasing funds.

As of the March 2025 reporting cycle, most counties had not reported CRRF expenditures during fiscal 2025 and therefore carried unspent balances at year-end. Baltimore and Wicomico counties were the only jurisdictions that reported CRRF expenditures during the fiscal year. Reported expenditures were associated with early-stage activities consistent with allowable statutory uses, including workforce development and community-based services. DoSEM indicated that additional counties announced CRRF-funded programs or intended recipients during or shortly after fiscal 2025; however, expenditure data for those jurisdictions will be reflected in subsequent reporting periods.

Exhibit 6 presents the fiscal 2025 county-by-county distribution of CRRF revenues based on statutory allocation percentages. The amounts shown reflect CRRF revenues credited to counties during the fiscal year, including adult-use cannabis sales and use tax revenues, conversion fee proceeds, and interest and are allocated using fixed percentages determined by the share of disproportionately impacted areas within each county. County-level expenditure data are reported separately and may lag revenue distributions due to program planning, procurement, and grantmaking timelines.

Exhibit 6
CRRF County Distribution
Fiscal 2025

<u>Counties</u>	<u>CRRF Funds Distributed</u>
Allegany	\$921,654
Anne Arundel	6,184,305
Baltimore	13,557,886
Baltimore City	27,071,401
Calvert	1,391,914
Caroline	741,027
Carroll	1,757,361
Cecil	1,220,370
Charles	2,552,192
Dorchester	1,037,297
Frederick	2,490,352
Garrett	372,085
Harford	2,988,213
Howard	2,376,456
Kent	442,659
Montgomery	5,071,193
Prince George’s	10,096,967
Queen Anne’s	743,472
St. Mary’s	1,627,311
Somerset	110,485
Talbot	671,501
Washington	1,805,925
Wicomico	2,069,354
Worcester	1,077,126
Total	\$88,378,509

CRRF: Community Reinvestment and Repair Fund

Source: Department of Social and Economic Mobility

DoSEM reported that it continues to provide guidance and technical assistance to counties regarding allowable uses, reporting requirements, and program implementation. The agency anticipates that CRRF expenditure data will become more complete as counties finalize program designs and proceed with implementation in subsequent fiscal years. **DoSEM should comment on the expected timing for increased CRRF expenditures at the county level and describe any factors that may affect the pace of fund utilization in fiscal 2026 and subsequent years.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 *Joint Chairmen’s Report* (JCR) requested that DoSEM prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- **2025 Agency MBE Participation Attainment Survey Report:** Due to concerns with low MBE participation attainment in State procurement, the committees requested that OSBA, in consultation with the Department of General Services, continue administering the agency MBE participation and liaison surveys, and report the results by agency. Further discussion of this data can be found in Key Observation 2 of this analysis.

Appendix 2
Object/Fund Difference Report
Department of Social and Economic Mobility

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	0.00	70.00	71.00	1.00	1.4%
02 Contractual	0.00	5.40	7.50	2.10	38.9%
Total Positions	0.00	75.40	78.50	3.10	4.1%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$0	\$7,605,776	\$14,452,847	\$6,847,071	90.0%
02 Technical and Special Fees	0	433,484	573,806	140,322	32.4%
03 Communications	0	38,201	54,046	15,845	41.5%
04 Travel	0	77,537	129,331	51,794	66.8%
07 Motor Vehicle Operation and Maintenance	0	5,583	11,000	5,417	97.0%
08 Contractual Services	0	1,918,060	4,248,225	2,330,165	121.5%
09 Supplies and Materials	0	38,750	61,638	22,888	59.1%
10 Equipment – Replacement	0	25,984	40,000	14,016	53.9%
11 Equipment – Additional	0	69,747	40,000	-29,747	-42.6%
12 Grants, Subsidies, and Contributions	0	6,050,000	6,050,000	0	0.0%
13 Fixed Charges	0	278,978	113,973	-165,005	-59.1%
Total Objects	\$0	\$16,542,100	\$25,774,866	\$9,232,766	55.8%
Funds					
01 General Funds	\$0	\$4,110,067	\$5,132,847	\$1,022,780	24.9%
03 Special Funds	0	12,432,033	20,642,019	8,209,986	66.0%
Total Funds	\$0	\$16,542,100	\$25,774,866	\$9,232,766	55.8%

Note: The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.