

FY 2026 OPERATING BUDGET TESTIMONY

Department of Social & Economic Mobility

Senate Health and Human Services Subcommittee

Senator Cory McCray, Chair

February 19, 2026

House Public Safety and Administration Subcommittee

Delegate Gabriel Acevero, Chair

Delegate Julian Ivey, Vice Chair

February 24, 2026

Good afternoon members of the Subcommittees: The following written testimony is provided on behalf of the Department of Social & Economic Mobility (DoSEM). We thank you for the opportunity to appear before the Subcommittees as you review the proposed budget. The Department of Social & Economic Mobility comprises several units: the Office of Small, Minority & Women Business Affairs (OSBA), the Office of Social Equity (OSE), and the Office of Minority Business Enterprise (OMBE).

We would like to thank our assigned analyst, Nathaly Andrade for her hard work, and acknowledgements of our efforts throughout the analysis. She is a pleasure for our office to work with.

Please accept our official comments below to the analyst observations as noted in the analysis document.

Page 2. DoSEM should comment on whether the 9 regular positions have been filled

The 9 regular positions reflect:

Filled Positions - Secretary, HR Director, Administrative Director, Chief Information and Performance Officer, Principal Council

Vacant Positions - HR Officer, Procurement Officer, Fiscal Specialist , Paralegal

The Department of Social and Economic Mobility (DoSEM) was established October 1, 2025, and is actively working to fill the nine new positions made available effective that date. During the establishment of DoSEM, the Governor's Office of Finance & Administration (GoFA) has provided essential assistance with departmental setup. Currently, until DoSEM is fully staffed, the department remains dependent on GoFA for critical functions, including fiscal processing and payroll actions. A portion of these responsibilities will transition to DoSEM as new Human Resources and fiscal personnel are hired.

The formation of DoSEM through the merger of three existing offices, following the Secretary's appointment on October 20th, necessitated a new HR strategy developed by executive leadership. The Department's intent is to fill the new vacancies by April, 2026. With the addition of the HR Director on February 4th, we finalized MS-22s for the remaining three vacancies and actively began the recruitment process.

HR strategy is being executed in three phases:

1. Phase One (November - February): Recruit and fill all DoSEM leadership vacancies, including those carried over from the three merged offices. There is one pending OSBA vacancy in this phase: interviews are currently underway and expected to conclude within the timeframe.
2. Phase Two (February - April): Recruit and fill all secondary vacancies. This includes the three vacancies and collaboration with OAG to ensure that their paralegal vacancy is also filled. Currently, all position MS-22s have been drafted, reviewed by DBM, approved by DoSEM leadership, and are in active recruitment.
3. Phase Three (May-June): Thorough review of all current positions within DoSEM, and planning recruitment for FY2027 vacancies.

Two of these positions, Principal Counsel and Paralegal, are under the purview of the Office of the Attorney General (OAG), and their hiring is dependent on that office. The OAG's office has kept DoSEM abreast of their advances, and a Principal Counsel was onboarded January 7th. DoSEM is currently engaged in active recruitment for the positions under that unit's direct control and is coordinating with the OAG's office or the Principal Counsel to facilitate the hiring of the paralegal.

Page 12. 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.

The Social Equity Partnership Program (SEPP) was initially launched in November 2025. Early engagement with operating cannabis licensees revealed participation was largely limited to one

transactional component of the program related to recouping previously paid conversion fees. That level of engagement did not align with the broader statutory intent of SEPP, which is to foster substantive partnerships that provide mentorship, technical support, and operational readiness assistance to newly licensed social equity businesses.

Because SEPP requires active participation from operating cannabis licensees to function as designed, the Office of Social Equity paused implementation to recalibrate the program structure and incentives to better align stakeholder participation with legislative intent.

The Office of Social Equity is finalizing program modifications and anticipates relaunch before the end of fiscal 2026, pending:

1. Completion of legal sufficiency review;
2. Finalization of revised guidance and agreement templates;
3. Internal fiscal and procurement alignment; and
4. Updated communications and stakeholder re-engagement.

The Office of Social Equity intends to move expeditiously upon completion of remaining approvals.

The Office of Social Equity expects to obligate a substantial portion of the \$5 million authorized in fiscal 2026. The pace of disbursement will depend on relaunch timing and award execution; however, demand by the social equity licensees remains strong. Office of Social Equity's focus is ensuring the program advances its intended purpose to accelerate the operational readiness and sustainability of newly licensed social equity businesses, rather than functioning solely as a transactional reimbursement mechanism benefiting solely the operating cannabis licensees.

Page 13. 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.

Community Reinvestment and Repair Fund (CRRF) revenues continue to be distributed to counties pursuant to statutory formula allocations. While revenue generation has been strong, expenditures at the county level have lagged initial projections in several jurisdictions.

The Office of Social Equity anticipates increased expenditures in fiscal year 2026 as counties finalize program design, complete procurement processes, and build administrative capacity. Progress has varied across jurisdictions.

Factors affecting the pace of utilization include:

1. Local staffing and administrative capacity;
2. Procurement and grant award timelines;
3. Required community engagement processes;
4. Clarification of eligible uses and reporting standards; and

5. Delay in completion of legal sufficiency review of CRRF regulations.

The Office of Social Equity continues to engage jurisdictions to encourage timely and transparent deployment of funds. As administrative structures mature, expenditures are expected to accelerate. The fund is generating meaningful revenue; the priority now is ensuring those dollars move efficiently and strategically into impacted communities consistent with legislative intent.