

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 356

(Chair, Economic Matters Committee)(By Request -  
Departmental - Veterans Affairs)

Economic Matters

Finance

Military Personnel and Veteran-Owned Small Business No-Interest Loan  
Program

This departmental bill expands the Military Personnel and Service-Disabled Veterans No-Interest Loan Program to include all veteran-owned small businesses in the State.

Fiscal Summary

**State Effect:** The bill has no net effect on financing by the Department of Business and Economic Development (DBED) but may divert resources from eligible recipients under current law to those newly eligible under the bill. There is no operational impact on the Maryland Department of Veterans Affairs (MDVA) to implement the bill. The Governor’s proposed FY 2014 budget includes \$300,000 for the program.

**Local Effect:** None.

**Small Business Effect:** MDVA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment as discussed below.

Analysis

**Bill Summary:** A veteran-owned small business is eligible to receive no-interest loans under the renamed “Military Personnel and Veteran-Owned Small Business No-Interest Loan Program.” A “veteran-owned small business” means a small business that is at least 51% owned by a veteran as defined in federal law. Loans can no longer be provided

directly to service-disabled veterans under the program – they must be made to eligible businesses.

Eligible loans under the program are expanded to include (1) making the home, motor vehicle, or place of employment of a veteran (rather than only a service-disabled veteran) accessible to individuals with disabilities or (2) defraying other necessary expenses, as determined by MDVA, incurred by a veteran-owned small business. Loans may also be made to enable a service-disabled veteran to operate a business.

**Current Law:** Chapter 389 of 2006 (HB 1280) established the Military Reservists and Service-Related No-Interest Loan Program (later modified through code revision) to assist military reservists and National Guard personnel called to active duty, service-disabled veterans, and businesses that employ or are owned by such persons. The program is administered by DBED in consultation with MDVA.

Eligible loan applicants include (1) small businesses (50 or fewer employees) that employ military reservists and National Guard members called to active duty; (2) businesses owned by military reservists and National Guard members; (3) service-disabled veterans; (4) businesses owned by service-disabled veterans; and (5) businesses that employ service-disabled veterans.

Loans must be made under the program for the purpose of (1) providing financial support to a business owned by a military reservist or National Guard member called to active duty or a small business that employs them; (2) making the home, motor vehicle, or place of employment of a service-disabled veteran accessible to individuals with disabilities; and (3) defraying other specified costs for a service-disabled veteran, a business that employs a service-disabled veteran, or a business owned by a service-disabled veteran.

**Background:** According to the program's fiscal 2012 annual report, DBED has approved 20 loan transactions totaling \$937,907 since the inception of the program through fiscal 2012. DBED approved five loans in fiscal 2012 totaling \$250,000. The VetBiz.gov registry maintained by the U.S. Department of Veterans Affairs Center for Veterans Enterprise lists 353 verified veteran-owned small businesses in Maryland.

**State Fiscal Effect:** By adding a new class of eligible recipients for no-interest loans under the program, fewer funds may be provided to (1) small business employers of military reservists and National Guard personnel who are called to active duty; (2) businesses owned by military reservists and National Guard personnel who are called to active duty; (3) service-disabled veterans; or (4) businesses owned by or employing service-disabled veterans. These funds may instead be diverted to veteran-owned small businesses – which may or may not otherwise be eligible for the program under current law. However, the bill does not directly impact funding for the program and, therefore,

has no impact on State revenues or expenditures for DBED. The fiscal 2014 budget includes \$300,000 for the program, the same amount provided in fiscal 2010 through 2013.

**Small Business Effect:** The bill has a minimal impact on small businesses in the State. The program already allocates most of its annual funding under current eligibility requirements, and the bill does not alter the existing priority funding status under the program for service-disabled veterans. Thus, only a small number of loans may be made to veterans not eligible under current law.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Business and Economic Development, Maryland Department of Transportation, Maryland Department of Veterans Affairs, U.S. Department of Veterans Affairs, Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2013  
ns/rhh Revised - Updated Budget Information - April 30, 2013

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Military Personnel and Veteran Owned Small Business No-Interest Loan Program

BILL NUMBER: HB 356

PREPARED BY: Veterans Affairs

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.