

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 465

(Senator Kagan, *et al.*)

Finance

Economic Matters

Maryland Nonprofit Development Center Program and Fund - Bridge Loans

This bill renames the Maryland Not-For-Profit Development Center as the Maryland Nonprofit Development Center and, beginning in fiscal 2021, requires up to 5% of video lottery terminal (VLT) proceeds from the Small, Minority, and Women-Owned Businesses Account (SMWOBA), not to exceed \$1.0 million annually, to be distributed to the Nonprofit Interest-Free, Micro Bridge Loan (NIMBL) account within the Maryland Nonprofit Development Center Program Fund. Money in the NIMBL account is to be used for bridge loans to nonprofit entities that have received written confirmation of funding from government grants or contracts but have not yet received the funding. The Governor may transfer \$187,500 to the NIMBL account by budget amendment from the fiscal 2017 special fund appropriation that would otherwise be distributed to SMWOBA as specified in the Budget Reconciliation and Financing Act (Chapter 23) of 2017.

The bill takes effect June 1, 2017.

Fiscal Summary

State Effect: Special fund revenues and expenditures of the NIMBL account increase by \$187,500 in FY 2017 and by \$869,000 in FY 2021. Special fund revenues and expenditures of SMWOBA decrease by \$187,500 in FY 2017 and by \$869,000 in FY 2021. There is no fiscal effect in fiscal 2018 through 2020. The Department of Commerce (Commerce) can administer loans from the NIMBL account with existing resources. Since Commerce administers both NIMBL and SMWOBA, there is no net fiscal impact.

Local Effect: None.

Small Business Effect: Minimal. Small businesses that are qualifying nonprofits awaiting funding from a government grant or contract may benefit from receiving no-interest loans of up to \$25,000. Some small businesses may receive less SMWOBA funds.

Analysis

Bill Summary: The Maryland Nonprofit Development Center Program Fund consists of money in the NIMBL account. The NIMBL account consists of money received under the bill and any other money appropriated, transferred by budget amendment, or repaid to the account. When the NIMBL account reaches \$1.0 million, any money in excess of that amount must be transferred to SMWOBA.

Commerce may provide a no-interest bridge loan for operating expenses of up to \$25,000 to a nonprofit entity that has received written confirmation of funding from a government grant or contract but has not yet received the funding. Commerce must establish an application process for bridge loans and, before providing a bridge loan, must receive written confirmation that the nonprofit entity has been awarded a government grant or contract but has not yet received the funding. Commerce must establish a repayment schedule as specified in the bill. Commerce must report to the Governor and the General Assembly by December 31, 2020, on the bridge loans issued under the program.

Current Law: The Maryland Not-For-Profit Development Center Program is charged with assisting the economic growth and revitalization of nonprofit entities in the State by providing grants for training and technical assistance services. A not-for-profit entity that is able to receive assistance from the program is a tax-exempt corporation incorporated in the State, or otherwise qualified to do business in the State, that (1) has annual revenues of \$750,000 or less; (2) has been in existence for 10 years or less; and (3) has as its principal purpose the provision of health, education, environmental, agricultural, or social services through community-based programs.

The Maryland Not-For-Profit Development Center Program must provide assistance to qualifying nonprofit entities, including (1) the operation of an information exchange governing current and new technical information and data about all aspects of nonprofit management and (2) individual consultation and technical assistance to any qualifying nonprofit entity that requests the service.

The Maryland Not-For-Profit Development Center Program Fund consists of money appropriated in the State budget to the fund and any other money accepted for the benefit of the fund, including an additional \$50 fee to be paid for the processing of articles of incorporation of a nonstock corporation. Commerce must designate at least one private

not-for-profit entity to receive grants from the fund to implement the program. Commerce is required to develop selection criteria that give priority to organizations that:

- have experience in providing the scope of assistance and services required by nonprofit entities in the State;
- demonstrate the capacity to provide the assistance and services required on a statewide basis; and
- have current expenditures equal to at least three times the amount of funding received from the fund, and that have been received from other sources to provide similar services.

Video Lottery Terminal Proceeds

The distribution of VLT proceeds differs by each video lottery facility. However, gross VLT proceeds are generally distributed as follows from the proceeds of VLTs at each facility:

- 1.5% to the Small, Minority, and Women-Owned Businesses Account to provide investment capital and loans to small, minority, and women-owned businesses in the State;
- 1% to the State Lottery and Gaming Control Agency for administrative costs;
- 5.5% to local impact grants;
- 6% to the Purse Dedication Account to enhance horse racing purses and bred funds, not to exceed \$100 million annually;
- 1.0% to the Racetrack Facility Renewal Account for a 16-year period beginning October 1, 2012, not to exceed \$20 million annually;
- 39%-50% to video lottery operation licensees; and
- the remainder to ETF (36%-46%).

Grants from SMWOBA go to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. Fund managers must allocate at least 50% of available funds to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities.

The Budget Reconciliation and Financing Act of 2017 requires that the VLT revenues that would otherwise go to SMWOBA in fiscal 2018 instead be dedicated to the general fund and that the VLT revenues that would otherwise go to SMWOBA in fiscal 2019 and fiscal 2020 instead be dedicated to ETF.

Background: Appendix – Maryland Gaming provides detailed background on gaming in Maryland.

State Fiscal Effect: The bill authorizes the Governor to transfer \$187,500 from SMWOBA to the NIMBL account in fiscal 2017 and requires up to 5% of VLT proceeds from SMWOBA, up to \$1.0 million, to be distributed to the NIMBL account beginning in fiscal 2021. Thus, special fund revenues and expenditures of the NIMBL account increase by \$187,500 in fiscal 2017 and by \$869,000 in fiscal 2021. Special fund revenues and expenditures of SMWOBA decrease by \$187,500 in fiscal 2017 and by \$869,000 in fiscal 2021. **Exhibit 1** shows the revenue effects of the bill; expenditures have a commensurate effect. The Department of Legislative Services assumes the NIMBL account will not have a balance of \$1.0 million because the money that the fund receives is spent on loans. However, to the extent that the fund reaches \$1.0 million, any money in excess of that amount will be transferred to SMWOBA.

Exhibit 1
Revenue Effect of the Bill
Fiscal 2017-2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
SMWOBA Revenues	(\$187,500)	\$0	\$0	\$0	(\$869,000)
NIMBL Account Revenues	\$187,500	\$0	\$0	\$0	\$869,000

SMWOBA: Small, Minority, and Women-Owned Businesses Account

NIMBL: Nonprofit Interest-Free, Micro Bridge Loan

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: HB 1517 (Delegate Glenn, *et al.*) – Economic Matters.

Information Source(s): Department of Commerce; Comptroller’s Office; Department of Budget and Management; Department of Legislative Services

Fiscal Note History:
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Appendix – Maryland Gaming

The State of Maryland has authorized and awarded six video lottery operation licenses in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties with a maximum number of 16,500 video lottery terminals (VLTs) allotted in the State. The opening date and the number of VLTs and table games for each facility as of January 2017 are shown in **Exhibit 1**.

Exhibit 1 Number of VLTs and Table Games in Maryland

<u>Casino</u>	<u>County</u>	<u>Opening Date</u>	<u>VLTs</u>	<u>Table Games</u>
Hollywood Casino	Cecil	September 2010	850	20
Ocean Downs	Worcester	January 2011	800	-
Maryland Live!	Anne Arundel	June 2012	3,906	209
Rocky Gap Casino	Allegany	May 2013	662	17
Horseshoe Casino	Baltimore City	August 2014	2,202	179
MGM National Harbor	Prince George's	December 2016	3,237	165

VLT: video lottery terminal

Source: State Lottery and Gaming Control Agency; Department of Legislative Services

VLT and Table Game Revenues

The estimated revenues from VLTs and table games in fiscal 2018 through 2022 are shown in **Exhibit 2**. A total of \$1.79 billion in gross gaming revenues is projected in fiscal 2018, including \$546.7 million to be distributed to the Education Trust Fund.

Exhibit 2
Distribution of Estimated VLT and Table Game Revenues in Maryland
Current Law
(\$ in Millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
VLTs Distribution					
Education Trust Fund	\$447.9	\$454.1	\$460.9	\$467.8	\$474.8
Lottery Operations	11.8	11.9	12.1	12.3	12.5
Purse Dedication Account	66.4	67.3	68.3	69.3	70.3
Racetrack Renewal Account	10.9	11.0	11.2	11.3	11.5
Local Impact Grants	61.0	61.9	62.8	63.7	64.7
Business Investment	16.6	16.9	17.1	17.4	17.6
Licenses	517.8	524.8	532.6	540.6	548.7
Total VLTs	\$1,132.4	\$1,147.8	\$1,165.0	\$1,182.5	\$1,200.3
Table Games Distribution					
Education Trust Fund	\$98.8	\$100.0	\$101.5	\$103.0	\$104.6
Local Impact Grants	32.9	33.3	33.8	34.3	34.9
Licenses	526.8	533.4	541.4	549.5	557.7
Total Table Games	\$658.5	\$666.7	\$676.7	\$686.9	\$697.2
Total VLTs and Table Games	\$1,790.9	\$1,814.5	\$1,841.8	\$1,869.4	\$1,897.4
Total Education Trust Fund	\$546.7	\$554.1	\$562.4	\$570.9	\$579.4

VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Budget and Management; Department of Legislative Services
