

Commerce_LOI_SB 770

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Position: INFO



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
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Date: March 4, 2020
BILL NO.: Senate Bill 770
TITLE: Economic Development-Small, Minority, and Women-Owned Businesses Account-Distribution
COMMITTEE: Senate Budget & Taxation

Statement of Information

Senate Bill 770 would require the Maryland Department of Commerce (Commerce) to ensure that at least 50% of funds from the Small, Minority, and Women-Owned Businesses Account (SMWOBA) be distributed to businesses surrounding a video lottery terminal in proportion to the percentage of video lottery terminal (VLT) revenue generated by each respective video lottery facility.

The SMWOBA statute currently requires at least 50% of the funds be deployed to small, minority, and women owned business surrounding video lottery terminal facilities. Commerce has defined those area as the “Targeted Areas” and are as follows: 10-mile radius around Maryland Live, Horseshoe Casino, National Harbor, and rural targeted areas to include the entire counties of: Allegany, Cecil, Harford, Garrett, Kent, Somerset, Washington, Wicomico, and Worcester counties. Since inception, 76% or \$42.1 million of the SMWOBA have been distributed in those targeted areas surrounding video lottery terminal facilities.

There are eight fund managers administering SMWOBA on behalf of Commerce: Anne Arundel County Economic Development, Baltimore County Economic Development, Baltimore Development Corporation, Howard County Economic Development, Meridian Management Group, Maryland Capital Enterprises, Tri County Council of Western Maryland, and FSC First Prince George’s County. If passed, the legislation would require fund managers to coordinate their lending activity to ensure loans to small business are proportional based on the slots revenue share of each jurisdiction and not based on the needs of the businesses in the State. Furthermore, Commerce would need to develop a means to track this activity, which would require additional oversight of the fund managers.

Should SMWOBA lending to small businesses be proportional to slot revenue generated, Fund Managers would potentially need to concentrate their lending activities to businesses located in a certain area over other areas of the State where there could be a greater need for access to capital. Businesses could be turned away because they are not located in the “right” county. Based on the proposed appropriation for FY 2021 of \$17.1M and looking at slots revenue at the end of fiscal year 19, the proportional allotment is as follows:

	Hollywood Casino	Ocean Downs	Maryland Live	Rocky Gap	National Harbor	Horseshoe	Total Slot Revenue
SLOT Revenue FY 19	\$65.17	\$69.85	\$411.80	\$48.93	\$384.84	\$144.63	\$1,125.22
% of Revenue	6%	6%	37%	4%	34%	13%	
FY21 Proposed Appropriation	\$17.10	\$17.10	\$17.10	\$17.10	\$17.10	\$17.10	
Proportional to SMWOBA	\$1.0	\$1.06	\$6.26	\$0.7	\$5.85	\$2.20	\$17.10

Based on the suggested proportional distribution requirement, those small businesses in rural areas would be impacted the most by having less funding. Commerce trusts and the fund managers have proven that they have the knowledge and experience necessary to best determine the capital needs of the small businesses in the State. SB 770 would alter the ability of the fund managers to make decisions regarding which businesses would be best served by access to this funding, as well as in which businesses the State should invest its limited resources.