



Wes Moore | Governor  
Aruna Miller | Lt. Governor  
Signe Pringle | Acting Secretary

**DATE:** January 31, 2023  
**BILL NO:** Senate Bill 38  
**BILL TITLE:** Minority Business Enterprise Procurement Contract Financing  
**COMMITTEE:** Senate Finance Committee  
**POSITION:** Statement of Information

Senate Bill 38 proposes to establish and add a new fund under the Maryland Small Business Development Financing Authority Program (MSBDFA). The proposed Minority Business Enterprise Procurement Contract Financing Program would provide financing assistance for working capital to qualified Minority Business Enterprises (MBEs) specifically seeking to obtain and perform State procurement contracts. The financing assistance would be in the form of loans and grants, and available to MBEs with net worth no greater than \$2,000,000.

The MSBDFA program was created by the Maryland General Assembly in 1978, and Contract Financing was the first program initiated under the program. MSBDFA's Contract Financing Program is currently operating and continues to be a critical financing tool for MBEs. Of the four MSBDFA funds, Contract Financing is consistently one of the most active components.

During the last five fiscal years, the MSBDFA Contract Financing Program provided loans in the total amount of \$1.8 million to nine small, minority and women owned businesses. Additionally, the Equity Participation Investment Program (EPIP) under MSBDFA has provided loans in the total amount of \$24.2 million to 201 small, minority and woman owned businesses<sup>1</sup>. EPIP also has the capability to provide working capital to facilitate performance on contracts, both government and private-commercial.

The Department would need an increase in General Funds of approximately \$1.0 million to cover an increase in program activity and operating costs directly related to the proposed new program component. Additionally, the Department uses a private contractor, Meridian Management Group, Inc. (MMG) to manage the MSBDFA program. Operating expenses for the MSBDFA program for FY 2022 include a management fee to the contractor equal to \$1.8 million. It is probable the contractor would request additional compensation to manage the proposed new program component.

The proposed new program component is duplicative and would contribute additional expense and complexity to the program. The program is currently an effective tool to address the need for capital by the diverse racial, ethnic and gender population in our State that it serves. Additionally, the program has a substantial impact each year on Maryland's economy by helping local businesses start, expand, and create and retain employment opportunities. The MSBDFA program is an important component of the Department's strategy to assist small businesses.

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<sup>1</sup> This number includes additional funding provided through the Rainy Day Fund for Covid-19 relief.