

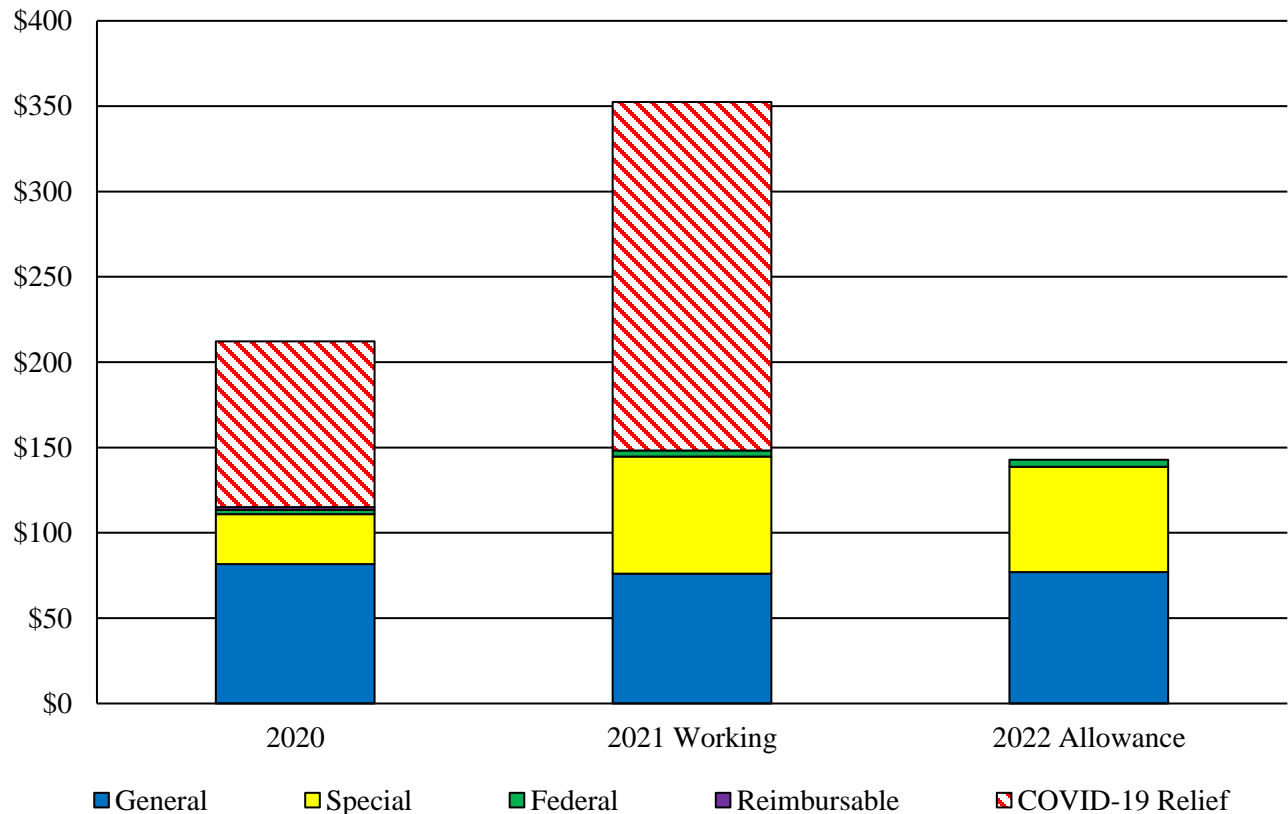
T00
Department of Commerce

Executive Summary

The mission of the Department of Commerce (Commerce) is to strengthen the Maryland economy. Commerce develops and implements programs that aim to generate new jobs or retain existing jobs, attract business investment in new or expanding companies, and promote the State's strategic assets.

Operating Budget Summary

**Fiscal 2022 Budget Decreases \$209.7 Million, or 59.5%, to \$142.8 Million
(\$ in Millions)**



Note: Fiscal 2021 includes planned reversions and general salary increases. Fiscal 2022 includes contingent reductions, annual salary review funding, and the annualization of general salary increases.

Key Observations

- ***Commerce Provided Nearly \$380 Million in COVID-19 Relief:*** The Governor provided a total of \$380 million to Commerce for business and nonprofit relief, with \$189 million in coronavirus relief funds from the Coronavirus Aid, Relief, and Economic Security Act and \$190 million in special funds from the Rainy Day Fund. The remaining \$1 million was provided with general and federal funds from the Maryland State Arts Council. Of the \$380 million provided, there is an unused balance of \$10.5 million in Rainy Day funds. Chapter 39 of 2021, the RELIEF Act, will allocate an additional \$66.5 million for programs in Commerce in fiscal 2021.
- ***Other Changes Include 10% Decrease in Special Funds, 1% Increase in General Funds:*** Excluding COVID-19 relief, Commerce’s fiscal 2022 allowance decreases by \$5.5 million, or 3.7%, primarily due to a decrease of \$8.5 million in special funds for the Maryland E-Innovation Initiative, offset by a \$3.3 million general fund appropriation in the State Reserve Fund’s Sunny Day Fund for a payment to Marriott International.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Adopt narrative requesting a report on restaurant and hotel relief programs.	
2. Reduce funds in the Maryland State Arts Council based on available special funds.	\$ 1,000,000
Total Reductions	\$ 1,000,000

T00
Department of Commerce

Operating Budget Analysis

Program Description

The Maryland Department of Commerce's (Commerce) primary goals are to increase business investment in Maryland, enhance business success and competitiveness of businesses in their distinct markets, and develop a diverse economic base and ensure that all jurisdictions share in the State's economic vitality. The department contains the following three divisions:

- ***Division of Business and Industry Sector Development:*** This division unites the department's field staff, small business, and finance teams to provide assistance to the Maryland business community and to the department's local economic development partners. The division houses Commerce's business assistance programs, including the Maryland Economic Development Assistance Authority and Fund (MEDAAF); the Maryland Small Business Development Financing Authority (MSBDFA); the Small, Minority, and Women-Owned Businesses Account; and the Economic Development Opportunities Program Fund (Sunny Day Fund). This division also includes the offices of Strategic Industries, International Investment and Trade, and Military and Federal Affairs. The division also administers several tax credit programs, three of which are budgeted within the department's appropriation: the More Jobs for Marylanders; Biotechnology Investment Incentive; and Cybersecurity Investment Incentive programs.
- ***Division of Marketing, Tourism, and the Arts:*** This division's mission is to strengthen the State's quality of life and encourage economic development by investing in and promoting Maryland's unique historic, cultural, and natural assets. The division includes the offices of Marketing, Communications, Tourism and Film, and the Maryland State Arts Council (MSAC).
- ***Division of Administration and Technology:*** This division includes the offices of Budget and Finance, Contracts and Procurement, General Services, Human Resources, and Information and Technology Management.

Performance Analysis: Managing for Results

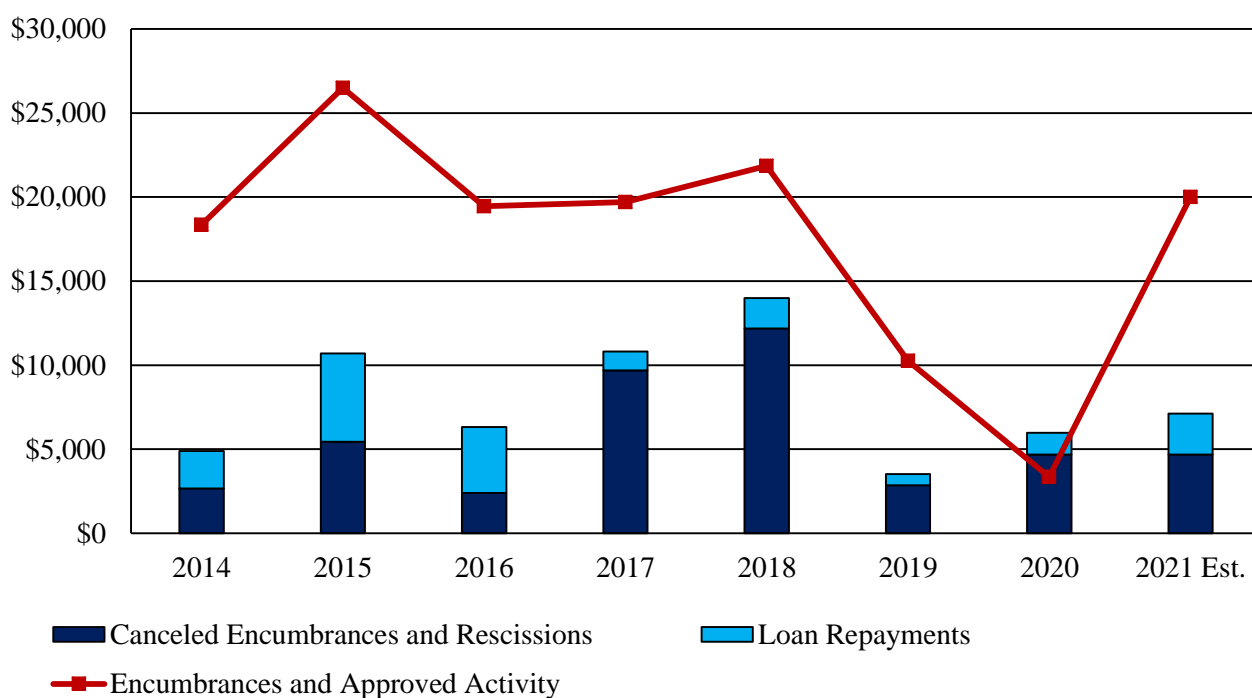
1. MEDAAF Transaction Activity Declined 67% in Fiscal 2020

Established as a revolving loan fund under Chapter 301 of 1999, MEDAAF is the department's primary and most flexible tool for business financial assistance. The fund provides below-market, fixed-rate financing in the form of loans, grants, conditional loans, conditional grants, and direct investment to local jurisdictions and businesses. Funds may be used for property acquisition, construction, or renovation of buildings, including tenant improvements and capital equipment. The

fiscal 2022 allowance includes \$18 million in special funds for the program. Special funds are largely a result of loan repayments or cancellations of previously encumbered funds.

As shown in **Exhibit 1**, MEDAAF had approximately \$3.3 million of encumbrances and approved activity in fiscal 2020, a decline of 67% from fiscal 2019, which was already the lowest level of activity in a decade. Commerce advises that the low level of activity in fiscal 2020 is due both to the department’s shift in focus to providing COVID-19 relief at the end of fiscal 2020 as well as many projects being delayed or put on hold as a result of the pandemic. The department is already seeing higher levels of activity in fiscal 2021, with 14 projects totaling \$11.0 million approved and encumbered as of February 2021, and 6 additional projects totaling \$6.3 million expected to be encumbered by the end of March 2021. The department estimates program activity of \$20 million in each of fiscal 2021 and 2022.

Exhibit 1
MEDAAF Encumbrances and Repayments
Fiscal 2014-2021 Est.
(\$ in Thousands)



MEDAAF: Maryland Economic Development Assistance Authority and Fund

Source: Governor’s Fiscal 2022 Budget Books

As a result of low activity in the past two years, MEDAAF has built up a significant fund balance of \$39.1 million at the close of fiscal 2020, which is \$20.7 million higher than had been estimated during the fiscal 2021 budget process. Given the program's estimated rebound in activity in fiscal 2021, the fund balance is expected to be \$29.6 million at the end of fiscal 2021 and \$22.6 million at the end of fiscal 2022.

Fiscal 2021

Planned Reversions

The fiscal 2021 budget restricted \$1 million of the general fund appropriation in MEDAAF for grants to businesses impacted by construction of the Purple Line. These restricted funds were not released by the Governor and are assumed as planned reversions in the fiscal 2022 budget plan.

The fiscal 2022 budget plan also includes a planned reversion of \$460,000 in general funds in the Sunny Day Fund for fiscal 2021. These funds were restricted in the fiscal 2020 budget to support the Maryland Academy of Science, Morgan State University, and the Light House homeless shelter in Annapolis and were unintentionally released despite being recognized in the fiscal 2021 budget as a planned reversion. The planned reversion in the fiscal 2022 budget plan corrects this error.

Cost Containment

The Board of Public Works (BPW) made statewide reductions to the fiscal 2021 budget on July 1, 2020, including \$5.1 million in Commerce, as follows:

- \$1.6 million in general funds for a grant to the Baltimore Symphony Orchestra that was mandated by Chapter 743 of 2019;
- \$1.5 million in general funds for MSAC to level fund the program with fiscal 2020;
- \$1 million in general funds for the Cybersecurity Investment Incentive Tax Credit, with the intent that special funds could be used instead. The fiscal 2022 allowance includes \$2 million in special funds for the tax credit and no general funds;
- \$224,500 in general funds to reduce grant funding by 10% for regional councils, cyber and strategic industries, military alliances, the World Trade Center Institute, and the Montgomery County Veteran Institute for Procurement. Funding for the regional councils is restored in the fiscal 2022 allowance, while funding for the Montgomery County Veteran Institute for Procurement is maintained at the reduced level, and funding for cyber and strategic industries grants, military alliance grants, and the World Trade Center Institute decreases further;

T00 – Department of Commerce

- \$100,000 in general funds for the Military Personnel and Service-Disabled Veteran Loan Program, with the intent that special funds could be used instead;
- \$442,000 in general funds for increased turnover and operational efficiencies in travel, information technology, and indirect cost allocation; and
- \$188,186 in general funds, \$78,939 in special funds, and \$9,043 in federal funds for across-the-board reductions.

Unrecognized COVID-19 Relief Funding

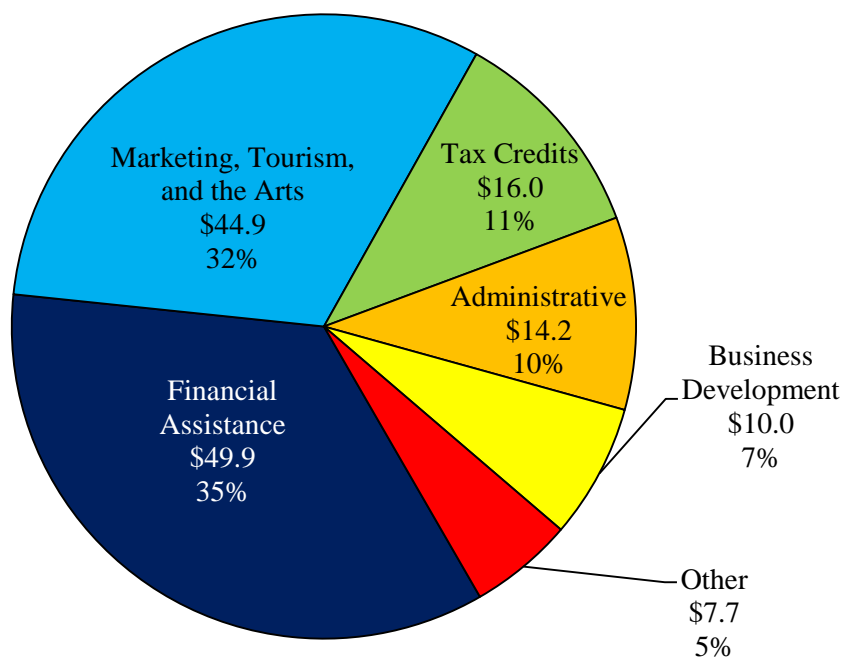
The fiscal 2021 working appropriation does not reflect an additional \$80 million in special funds from the Rainy Day Fund for COVID-19 relief, as the budget amendment was still being processed at the time of the fiscal 2022 budget submission. This funding includes \$50 million to provide relief to hotels and hospitality businesses as well as \$30 million of additional funding for Commerce’s restaurant relief program. The fiscal 2021 working appropriation also does not include the \$66.5 million to be provided through the RELIEF Act. All of Commerce’s COVID-19 relief programs are discussed further in Issue 1 of this analysis.

The fiscal 2021 appropriation and fiscal 2022 allowance also do not reflect \$770,000 in federal funds from the U.S. Economic Development Administration through the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the Maryland Economic Adjustment Fund (MEAF). The award was announced in September 2020, and \$70,000 is available for administrative expenses while \$700,000 will recapitalize the fund in Commerce. MEAF typically has an annual appropriation of \$200,000 in special funds, although the program has not expended funds for several years. Commerce advises that \$330,000 of the newly available funds will be added by budget amendment for fiscal 2021, with the remainder expected to be added by budget amendment in fiscal 2022. The department must award the funds within two years for loans between \$25,000 and \$150,000, with up to 15-year terms. Repaid funds will be retained in MEAF for new loans.

Fiscal 2022 Overview of Agency Spending

As shown in **Exhibit 2**, 35% of the fiscal 2022 allowance is dedicated to programs that provide financial assistance in the forms of grants or loans to businesses, while 32% of the allowance is used for marketing efforts as well as promoting tourism and the arts in the State.

Exhibit 2
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Millions)



Note: Includes general funds budgeted in the State Reserve Fund for the Economic Development Opportunities Program Account, also known as the Sunny Day Fund; also includes planned reversions, contingent reductions, annual salary review funding, and annualization of general salary increases. Other includes International Investment and Trade, Military and Federal Affairs, and Workforce Development.

Source: Governor's Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 3**, the adjusted fiscal 2022 allowance decreases by \$209.7 million, or 59.5%, compared to the adjusted current year working appropriation due to COVID-19 relief funding provided in fiscal 2021.

Exhibit 3
Proposed Budget
Department of Commerce
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2020 Actual	\$81,709	\$29,199	\$99,834	\$1,515	\$212,257
Fiscal 2021 Working Appropriation	76,150	178,463	97,856	0	352,469
Fiscal 2022 Allowance	<u>77,012</u>	<u>61,608</u>	<u>4,145</u>	<u>0</u>	<u>142,765</u>
Fiscal 2021-2022 Amount Change	\$863	-\$116,855	-\$93,711	\$0	-\$209,703
Fiscal 2021-2022 Percent Change	1.1%	-65.5%	-95.8%	n/a	-59.5%
Where It Goes:					
Personnel Expenses					
Annualization of fiscal 2021 general salary increase					\$191
Unemployment compensation					43
Employee and retiree health insurance					39
Fiscal 2022 annual salary review for 8 fiscal services positions					33
Salaries and wages					-28
Employee retirement					-36
Workers' compensation premium assessment					-84
Reclassification					-177
Other Changes					
Sunny Day Account funding for payment to Marriott International					3,730
Restoring Cybersecurity Investment Incentive Tax Credit following Board of Public Works reduction					1,000
Small, Minority, and Women-Owned Businesses Account					343
Other changes					25
Travel costs					-170
Strategic Industries and Entrepreneurship grants					-266
Rent					-664
Tourism grant for Central Intercollegiate Athletic Association basketball tournament in fiscal 2021					-1,000
Maryland E-Innovation Initiative does not receive admissions and amusement tax distribution in fiscal 2022					-8,500
One-time expenses for COVID-19 relief in fiscal 2021					-204,182
Total					-\$209,703

Note: Numbers may not sum to total due to rounding.

Arts Funding

The Budget Reconciliation and Financing Act (BRFA) of 2021 proposes to level fund the general funds provided for MSAC in fiscal 2022 at the fiscal 2021 working appropriation of \$22.4 million. As noted previously, this fiscal 2021 working appropriation is the result of a \$1.5 million reduction by BPW in July 2020. The fiscal 2022 budget plan includes a \$2.9 million general fund reduction, contingent on legislation reducing the mandate. However, the fiscal 2022 allowance does not include sufficient funding for the existing mandate of \$26.3 million; an additional \$1 million is expected to be added through a supplemental budget, and the contingent reduction is expected to be increased accordingly to \$3.9 million.

The BRFA further proposes to alter the formula for determining the mandated funding for MSAC – under current law, the general fund allowance for MSAC must grow by the estimated growth in general fund revenues, and the BRFA would modify the growth to 1 percentage point less than the estimated growth in general fund revenues. The reduction in the fiscal 2022 funding level and the alteration of the funding formula result in \$4.3 million in reduced funding for MSAC in fiscal 2023 compared to current law, growing to a reduction of \$5.6 million in fiscal 2026.

MSAC has also received special funds in prior years from the admissions and amusement (A&A) tax revenues on electronic bingo and electronic tip jars that would otherwise have been distributed to the Special Fund for Preservation of Cultural Arts, including \$1 million in fiscal 2021. Funds from this source were also required to be included in the calculation to determine the mandated general fund appropriation for MSAC. Although the BRFA of 2017 placed a sunset of fiscal 2021 on this diversion of A&A funds to MSAC, the fiscal 2022 allowance still includes \$1 million in special funds from this source, which will be unsupported by revenues. **The Department of Legislative Services (DLS) recommends deleting the \$1 million in special funds from A&A tax revenues for MSAC, which were included in the allowance in error.**

SB 465 of 2020 would have permanently extended this distribution of \$1 million in A&A tax revenues to MSAC, but the bill was vetoed by the Governor. The veto was overridden in February 2021. Because of the timing of the veto override, the distribution will not be made in fiscal 2022 but will resume in fiscal 2023.

Maryland E-Nnovation Initiative

The Maryland E-Nnovation Initiative matches State funds to private funds raised by Maryland's higher education institutions in support of endowed chairs to further research in scientific and technical fields. Funding for the program decreases by \$8.5 million in special funds in the fiscal 2022 allowance due to the expiration of the distribution of A&A tax revenues to the Maryland E-Nnovation Initiative Fund. SB 465 of 2020 would have extended the distribution of 20% of A&A tax revenues on electronic bingo and electronic tip jars to the fund, but as discussed previously, the bill was vetoed by the Governor, and the veto was overridden in February 2021. As a result, this funding will return for the Maryland E-Nnovation Initiative in fiscal 2023.

Sunny Day Fund

The Sunny Day Fund provides conditional loans and investments to take advantage of extraordinary economic development opportunities, defined in part as those situations that create or retain a substantial number of jobs and where a considerable private investment is leveraged. The program consists of an account in the State Reserve Fund from which funds are appropriated to a program at Commerce. The State granted a total of \$20 million to Marriott International to be paid in four \$5 million installments in each of fiscal 2019 to 2022. The fiscal 2022 allowance includes \$3.3 million in general funds for the account, which has sufficient fund balance to cover the remaining \$1.7 million required for the final \$5 million payment to Marriott. The fiscal 2022 allowance also includes \$5 million in special funds in Commerce for this purpose.

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	188.00	188.00	188.00	0.00
Contractual FTEs	<u>25.35</u>	<u>26.00</u>	<u>32.75</u>	<u>6.75</u>
Total Personnel	213.35	214.00	220.75	6.75

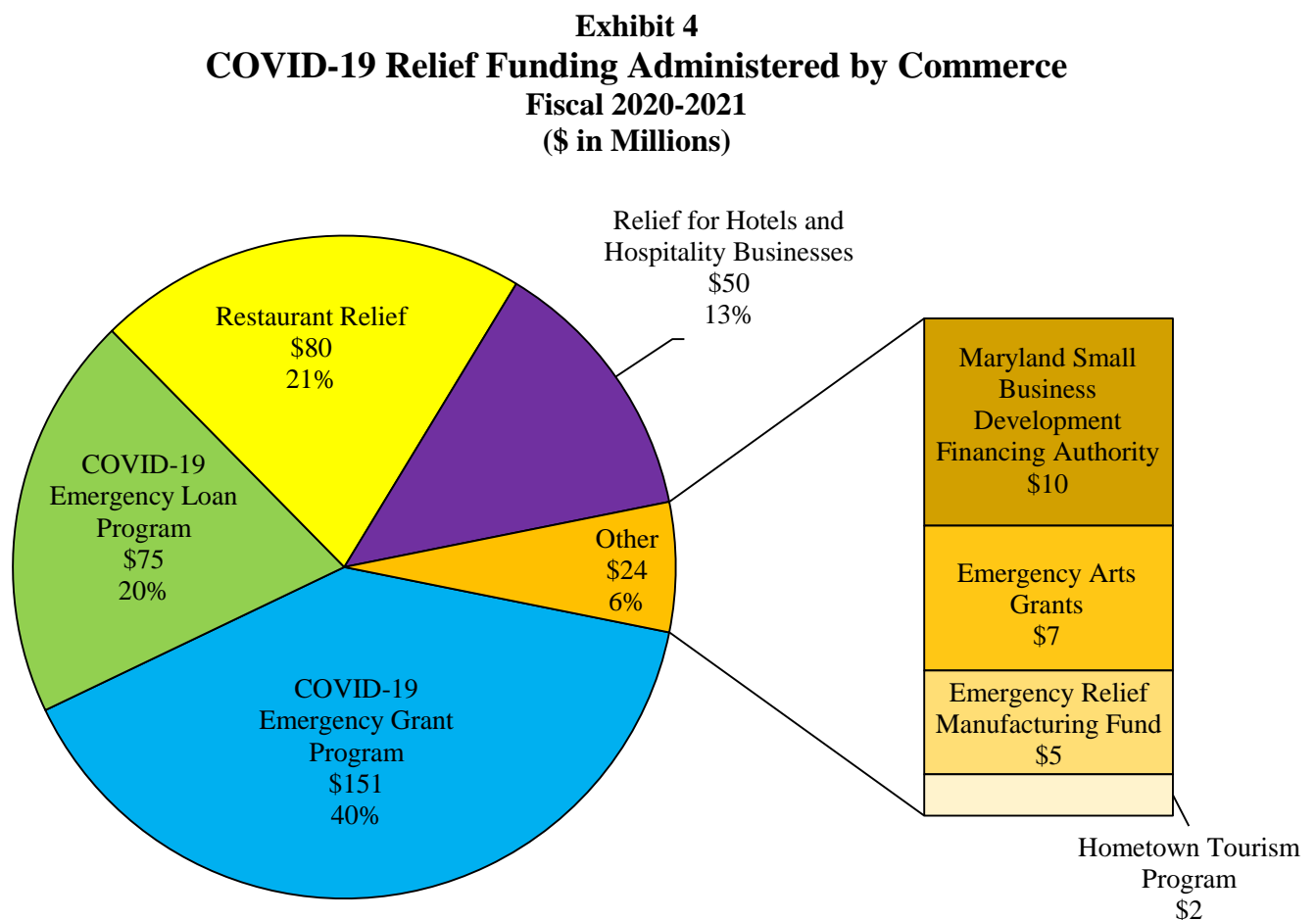
Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	13.71	7.29%
Positions and Percentage Vacant as of 12/31/20	15.00	7.98%
Vacancies Above Turnover	1.29	

Issues

1. COVID-19 Relief Funding Administered by Commerce Totals \$380 Million

As shown in **Exhibit 4**, Commerce administered a total of \$380 million in COVID-19 relief funding in fiscal 2020 and 2021. Funding was provided by the Governor both from the coronavirus relief funds from the CARES Act (\$189 million) as well as the Rainy Day Fund (\$190 million). The remaining \$1 million was provided with general and federal funds from MSAC. As of January 2021, \$366.6 million has been disbursed to businesses, nonprofits, and other recipients of relief, or awarded to local jurisdictions to disburse to businesses. Of the remaining \$13.3 million, \$1.7 million is still in the process of being awarded and disbursed to businesses through the MSBDFA program, \$1.2 million has been awarded to businesses under the manufacturing program but will not be disbursed until the recipients complete documentation of expenses, and \$10.5 million represents unused Rainy Day funds that were in excess of applications received for the Emergency Grant and Emergency Manufacturing programs.



T00 – Department of Commerce

<u>Program</u>	<u>Funding (\$ in Millions)</u>	<u>Funding Sources</u>	<u>Description</u>
COVID-19 Emergency Grant Program	\$151	CARES Act (\$101 million); Rainy Day Fund (\$50 million)	Grants of up to \$10,000 for businesses or nonprofits with fewer than 50 employees, with \$6 million reserved for nonprofits; \$135.5 million was awarded to 13,725 businesses as of January 2021, and \$5.9 million was awarded to 597 nonprofits.
COVID-19 Emergency Loan Program	75	CARES Act	Loans of up to \$50,000 for businesses with fewer than 50 employees; the Governor announced in December 2020 that these loans would be forgiven; \$75.2 million was awarded to 1,654 businesses.
Restaurant Relief	80	Rainy Day Fund	Distributed through local jurisdictions to restaurants for expenses such as rent, cleaning services, PPE, and the purchase of equipment and services to expand outdoor dining capabilities; funds must be expended by March 31, 2021.
Relief for Hotels and Hospitality Businesses	50	Rainy Day Fund	Distributed through local jurisdictions for payroll expenses, rent, and utilities in order to keep operations going while travel is restricted; funds must be expended by March 31, 2021.
Maryland Small Business Development Financing Authority	10	CARES Act (\$5 million); Rainy Day Fund (\$5 million)	Loans of \$25,000 to \$200,000 to economically and socially disadvantaged businesses; \$7.9 million was awarded to 110 businesses as of January 2021, and \$420,000 was used for administrative expenses.
Emergency Arts Grants	7	CARES Act (\$3.5 million); Rainy Day Fund (\$3 million); general funds (\$0.5 million)	First round of \$1 million distributed to arts organizations and independent artists; second and third rounds of \$3 million each awarded to arts organizations, independent artists, county arts organizations and Arts and Entertainment Districts.
Emergency Relief Manufacturing Fund	5	CARES Act	Grants of up to \$100,000 to incentivize production of PPE, with 50% disbursed upon notice of award and remaining funds paid upon proof of expenses; \$4 million awarded to 52 businesses total, with \$2.8 million disbursed as of January 2021.
Hometown Tourism Program	2	Rainy Day Fund	Awarded to Destination Marketing Organizations to encourage visitors to frequent local stores, restaurants, and attractions.
Total	\$380		

CARES: Coronavirus Aid, Relief, and Economic Security

PPE: personal protective equipment

Source: Department of Commerce

Appendix 2 includes the awards by jurisdiction as well as demographic and industry information for the COVID-19 Emergency Grant and Loan Programs, including additional information on nonprofit awards. **Appendix 3** includes additional information on the distribution of restaurant and hotel program funding by jurisdiction. **Appendix 4** includes additional information on the MSBDFA relief program, including awards by jurisdiction. Lastly, Emergency Arts Grants, Emergency Manufacturing Fund awards, and Hometown Tourism Program awards are included in **Appendices 5, 6, and 7**, respectively.

Implementation Challenges

These relief programs represent a large increase over the amount of grants that Commerce awards in an average year – other than COVID-19 relief funding, the department’s fiscal 2021 working appropriation includes approximately \$70 million for grants. As a result, Commerce faced challenges in processing applications quickly, particularly in the early months of implementation. The department reassigned internal staff and also borrowed employees from other State agencies, including the Department of Housing and Community Development, the Maryland Technology Development Corporation, and the Governor’s Office of Crime Prevention, Youth, and Victim Services, to assist in processing grant applications. Commerce also executed an emergency procurement contract to hire an additional 52 temporary accounts payable staff to process payments in June and July 2020.

Applications for the department’s COVID-19 Emergency Grant and Loan programs opened on March 23, 2020, and the department stopped accepting applications two weeks later on April 6. The initial funding provided for these programs was \$50 million for grants and \$75 million for loans. By June 2, Commerce had only disbursed \$19 million under the grant program and no funds under the loan program. The pace of disbursement increased going forward, and the Governor provided an additional \$45 million for the grant program at the end of June and another \$50 million in October with the intent to fund all eligible applicants. In a survey of recipients, 33.8% of respondents indicated that the worst aspect of the program was that it took too long to get the funding.

It is worth noting that while Commerce continued to process applications and disburse payments throughout calendar 2020, all awards under the COVID-19 Emergency Grant and Loan programs, representing 60% of Commerce’s relief funds, went to businesses and nonprofits that had applied during the initial two-week application window at the end of March. This approach favored businesses that were able to compile application information quickly and did not reach businesses that were impacted later in the pandemic.

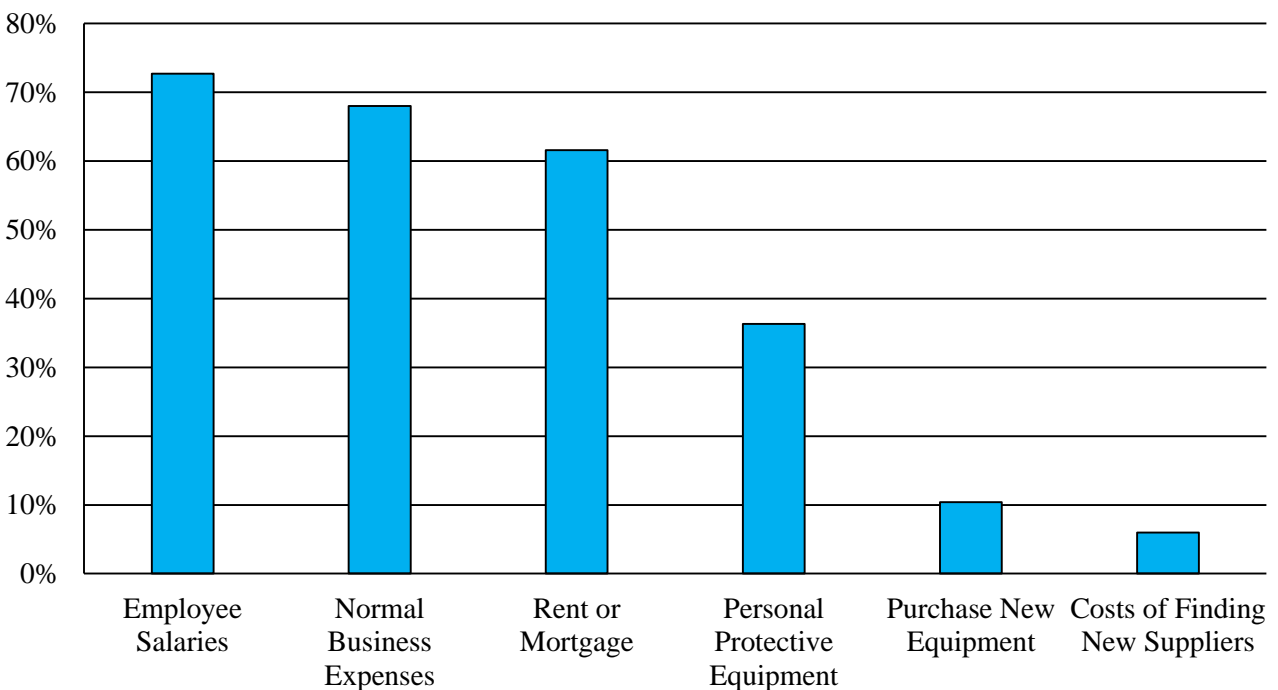
Unused Balance of Relief Funds

As noted, Commerce has not used \$10.5 million in Rainy Day funds appropriated for its relief programs. Available funding exceeded eligible applications for the manufacturing program by approximately \$1 million. Because this program utilized funds from the CARES Act, Commerce shifted the remaining funding to be used in the department’s grant program in order to prioritize the use of federal funds before Rainy Day funds. Once all eligible applications for business and nonprofit grants had been funded, Commerce still had \$10.5 million in Rainy Day funds that can be made available for other purposes.

Tracking Program Outcomes

Commerce conducted a survey of businesses that received funding through the COVID-19 Emergency Grant and Loan programs. Preliminary survey results are available as of February 2020, but the department is still waiting on results from a final batch of 1,500 surveys. The initial results indicate that 98.6% of recipient businesses are still operating, and 65.8% said funding from Commerce’s programs helped them avoid layoffs. However, it is worth noting that the survey had a response rate of 47% at the time of these preliminary results, and businesses that did not respond may be more likely to be out of business. Among respondents, 51.6% indicated there was a high or moderate likelihood that their business would have closed without the assistance, while 20.9% said that there was a low likelihood and 10% responded that the relief funding had no impact on the likelihood of closure. **Exhibit 5** shows how businesses used the funding from the Emergency Grant and Loan programs.

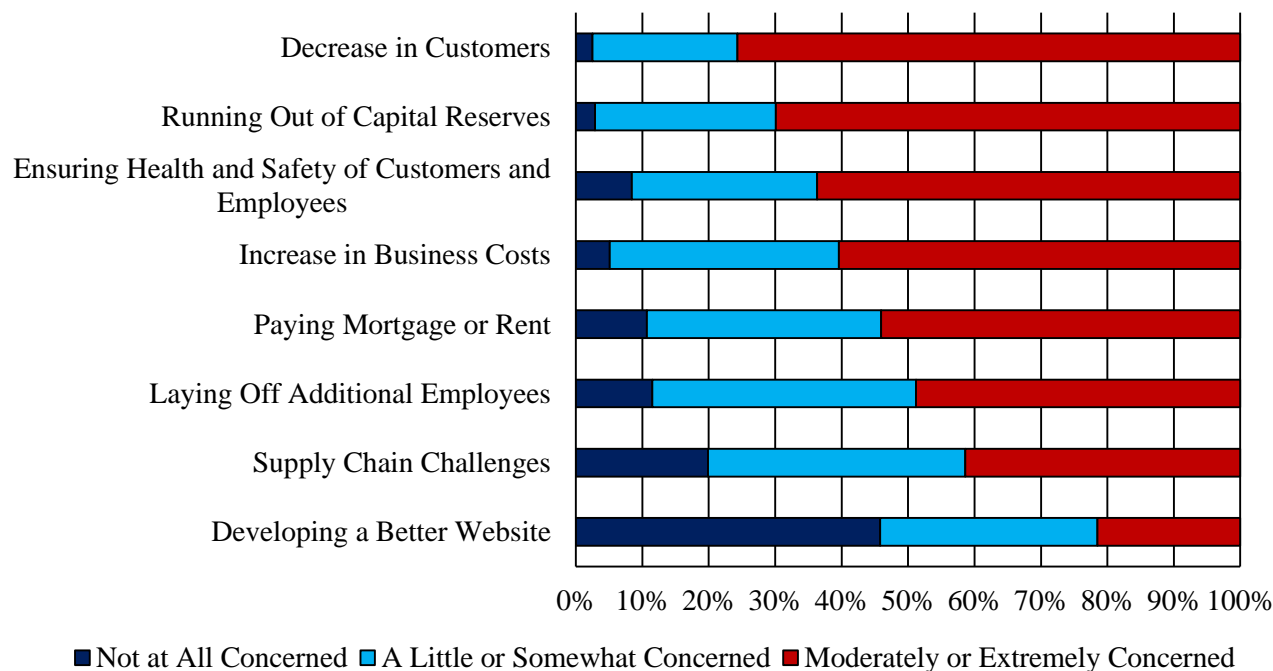
Exhibit 5
Uses of Funding by COVID-19 Grant and Loan Recipients



Source: Department of Commerce

Many of the businesses that received relief still face challenges: 67.3% have had to reduce hours for staff; and 48.4% reported a decrease of more than 33% in monthly revenues compared to October 2019 (although nearly 7% of recipients actually reported increased revenues). **Exhibit 6** shows the anticipated concerns of these businesses over the six months following the survey.

Exhibit 6
Businesses Concerned about Various Issues Over the Next Six Months



Source: Department of Commerce

For the restaurant and hotel relief programs, funding is being distributed through local jurisdictions. Although Commerce is not tracking the disbursement of funds from local programs, the local jurisdictions are required to disburse all funds by March 31, 2021, and to report to Commerce on the use of funds by June 30, 2021. **DLS recommends adopting committee narrative requesting that the department submit a report detailing the use of restaurant and hotel relief funding by local jurisdictions when available, including the number of grants made by each jurisdiction under each program, details on the uses of grant funds, any demographic information collected, and the amount of any unused funds.**

Additional Funding to Be Provided through the RELIEF Act

Chapter 39 of 2021, the RELIEF Act, provides \$66.5 million in additional relief funding from the Rainy Day Fund to be administered by Commerce in fiscal 2021. For any program that had received prior funding, new funds must be prioritized for providing relief to businesses that did not already receive assistance. **Exhibit 7** shows the funding for new programs created under the RELIEF Act as well as additional funding for existing programs at Commerce.

Exhibit 7
Funding for Commerce Programs in the RELIEF Act

<u>Program</u>	<u>Funding (\$ in Millions)</u>	<u>Description</u>
Restaurant Relief	\$22	Grants of up to \$12,000, with at least 15% distributed to disadvantaged businesses; provided through local jurisdictions.
Relief for Hotels and Hospitality Businesses	10	Grants of up to \$25,000; provided through local jurisdictions.
Grants for Businesses That Do Not Collect Sales and Use Tax	10	Grants of up to \$9,000, with at least 15% distributed to disadvantaged businesses; another provision provides a similar level of relief through a tax credit for businesses that collect sales and use tax.
Small, Minority, and Women-Owned Businesses Account	10	To be used in the same manner as regular program funding, which requires at least 50% of funding be distributed in communities and jurisdictions surrounding video lottery terminal facilities.
Relief for Shuttle Bus Operators and Local Transit	8	Unspecified assistance to private commuter and shuttle bus operators or locally operated transit systems that have lost State or local funding due to the COVID-19 pandemic.
Emergency Arts Grants	5	Additional funding for grants to artists, arts organizations, and arts districts.
Tourism Development Board	1	Additional funding to market small businesses for tourism.
Grants to Pivot to Online Sales and Telework	0.5	Grants to businesses to set up online sales or offer telework opportunities to employees.
Total	\$66.5	

Source: Department of Legislative Services

The RELIEF Act also allows MSBDFA to forgive up to \$50,000 per loan made under its COVID-19 relief program, converting these funds to a grant. Of the 110 companies that have received funding under the program as of January 2021, 63 can have their loans entirely forgiven by this provision; the remaining 47 have combined loans totaling \$5.3 million, of which \$3.0 million cannot be forgiven (an average of \$64,000 per loan recipient).

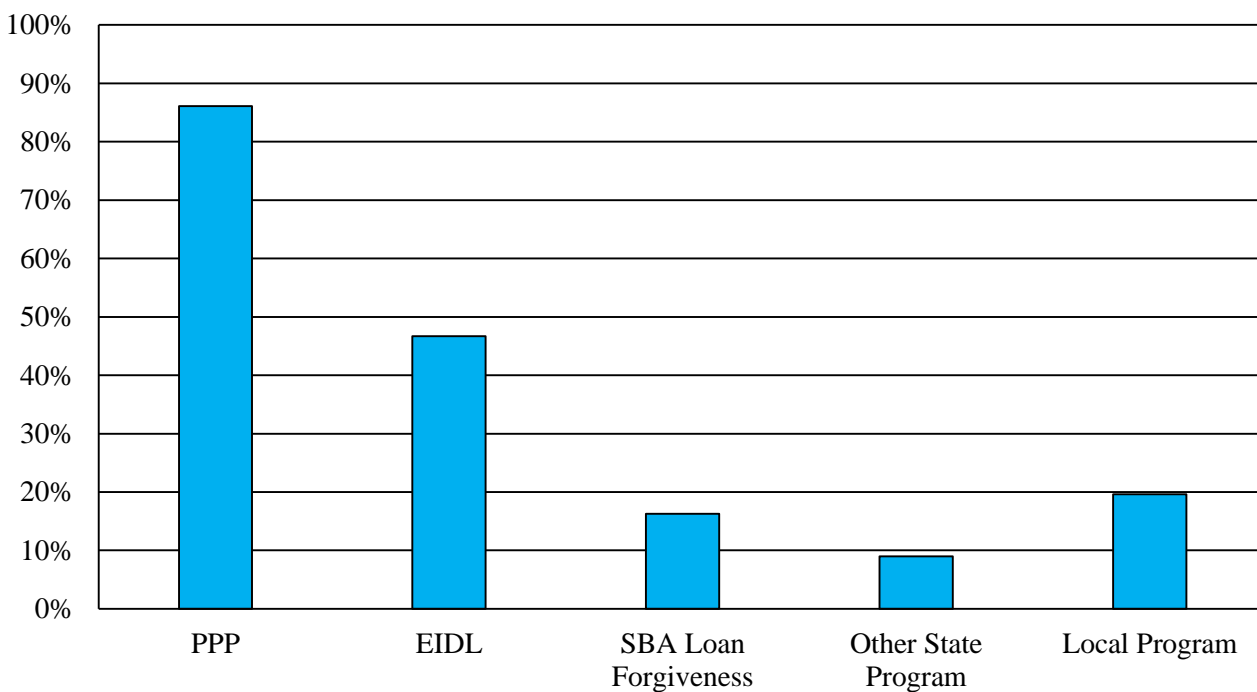
Lastly, the RELIEF Act exempts businesses from paying State income tax in tax years 2020 and 2021 on grants and forgiven loans received through State, local, or federal COVID-19 business relief programs.

Federal and Local Business Assistance

In addition to the funding provided at the State level, more than 87,000 Maryland businesses received a total of \$10.1 billion in loans from the federal Paycheck Protection Program (PPP), which could be forgiven under certain circumstances. None of this funding flows through the State budget. The federal Economic Injury Disaster Loan (EIDL) program also provided \$3.4 billion in loans to nearly 65,000 businesses in the State as of October 2020. These totals do not include additional relief that Maryland businesses may receive following the passage of new federal stimulus legislation in December 2020, which included \$284.5 billion nationally to replenish the PPP, \$20 billion nationally for the EIDL program to be targeted at businesses in low-income communities, and \$15 billion nationally for live entertainment venues. Local programs for business relief also supplemented federal and State programs, although the total amount of relief provided through these programs is unknown.

Many businesses received assistance through multiple programs at the federal, State, and local levels. **Exhibit 8** shows the percentage of COVID-19 grant and loan recipients that responded to the department's survey that made use of various other sources of relief. In addition, more than 1,100 businesses obtained relief through both the grant and loan portions of the program.

Exhibit 8
Use of Other Relief Programs by Recipients of Commerce’s COVID-19
Emergency Grants and Loans



EIDL: Economic Injury Disaster Loan

PPP: Paycheck Protection Program

SBA: Small Business Administration

Source: Department of Commerce

Operating Budget Recommended Actions

1. Adopt the following narrative:

Restaurant and Hotel Relief Programs: The committees request a report detailing the use of restaurant and hotel relief funding by local jurisdictions, including the number of grants made by each jurisdiction under each program, details on the uses of grant funds, any demographic information collected, and the amount of any unused funds. The report should include information on grants made using initial program funding as well as grants made using funding from the RELIEF Act.

Information Request	Author	Due Date
Report on restaurant and hotel relief programs	Department of Commerce	August 1, 2021

	<u>Amount Reduction</u>
2. The fiscal 2022 allowance for the Maryland State Arts Council includes special funds from Admissions and Amusement tax revenues in error. This action eliminates the special funds that would be unsupported by revenues.	\$ 1,000,000 SF
Total Special Fund Reductions	\$ 1,000,000

Appendix 1

2020 Joint Chairmen's Report Responses from the Department of Commerce

The 2020 *Joint Chairmen's Report* (JCR) requested that the Department of Commerce (Commerce) prepare 2 reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Small, Minority, and Women-Owned Businesses Account (SMWOBA) Fund Manager Activity:*** Commerce submitted a report detailing SMWOBA fund manager transactions since program inception and lending goals established for fund managers, including targets for the number of loans to veteran-, women-, and disabled-owned businesses as well as loans in rural areas and in the clean energy, manufacturing, and cyber industries. The goals identified in the report did not include a target for loans to minority-owned businesses. The report noted that not all of the targets were met in fiscal 2019 and 2020 but did not discuss any remedies, other than that the department meets at least once a year with fund managers to discuss strategies for deploying funds. With the return of funding for SMWOBA in the fiscal 2021 appropriation, Commerce awarded \$11 million to the eight existing fund managers in December 2020. The department issued a request for proposals for up to an additional three new fund managers, but the only proposal received did not meet requirements. Commerce plans to reallocate the remaining \$6 million of fiscal 2021 funding among the existing fund managers.
- ***Report on Geographic Information System (GIS) Data Concerning Tax Credits:*** The fiscal 2021 budget restricted \$250,000 of Commerce's general fund appropriation, pending the submission of a report detailing GIS data for all of its tax credit programs. The department requested and was granted an extension of the report's deadline to February 15, 2021. At the time of writing, Commerce indicated that the report is in the department's review process and will be submitted soon.

Appendix 2

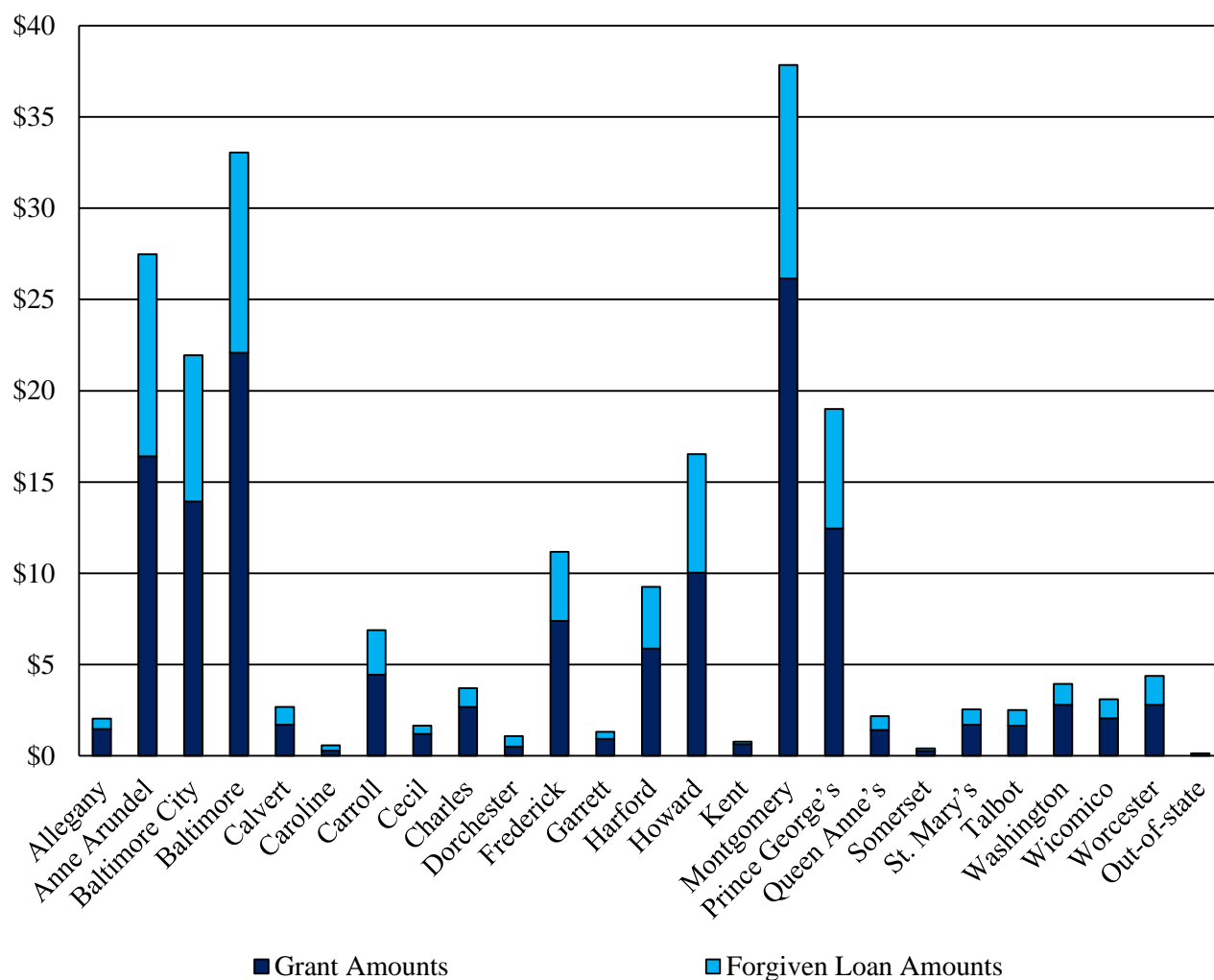
COVID-19 Emergency Grant and Loan Programs

In March 2020, the Department of Commerce (Commerce) established the COVID-19 Emergency Grant and Loan Programs to assist businesses with fewer than 50 employees. Businesses were eligible for up to a \$50,000 loan, and businesses and 501(c)(3) nonprofits were eligible for up to a \$10,000 grant. Under both programs, recipients had to demonstrate financial distress or disrupted operations due to the pandemic and could use the funding to support operating expenses, such as payroll, rent or mortgage payments, and utility expenses. The Governor announced in December 2020 that the loans made under this program would be forgiven.

Both programs were initially funded using flexible federal funds from the Coronavirus Aid, Relief, and Economic Security Act. The grant program was allocated \$103 million in federal funding (\$50 million initially, and an additional \$53 million announced at the end of June), while \$75 million was allocated to the loan program. In October 2020, the Governor announced a third round of funding for the grant program, consisting of \$50 million from the State's Rainy Day Fund. Of the additional funding provided for the grant program in June, \$8 million was reserved for nonprofits. However, Commerce was able to fund all nonprofit grant applications with just under \$6 million and transferred \$2 million to the Department of Housing and Community Development (DHCD) for use in their nonprofit assistance program. After funding all eligible recipients, Commerce had an unused balance of \$10.5 million in Rainy Day funds that can be made available for other purposes.

Exhibit A2.1 shows the grant and loan awards made by jurisdiction. Commerce awarded \$135.5 million in grants to 13,725 businesses and nonprofits, and \$75.2 million in forgiven loans to 1,654 businesses. Commerce also awarded an additional \$5.4 million to 549 nonprofits using the funding reserved for that purpose, which is combined with the other grant awards in Exhibit A2.1.

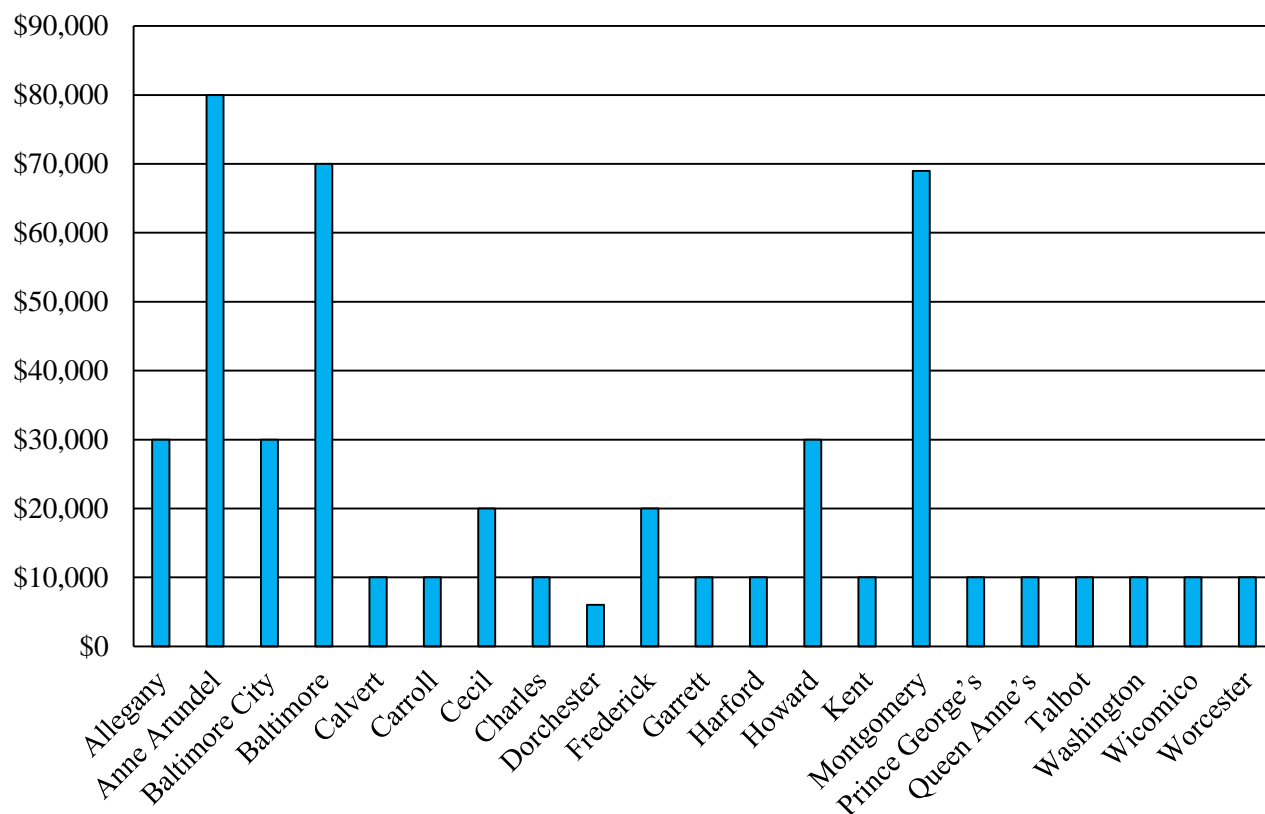
Exhibit A2.1
Grant and Loan Awards by County
 (\$ in Millions)



Source: Department of Commerce

Statewide, Commerce provided relief under the grant program to nearly 11% of all eligible establishments. **Exhibit A2.2** shows the percentage of eligible businesses in each jurisdiction that received funding through the grant program.

Exhibit A2.3
Grants to 501(c)(6) Nonprofits by County



Source: Department of Commerce

Commerce also provided industry information for recipients of its grant and loan programs, shown in **Exhibit A2.4**.

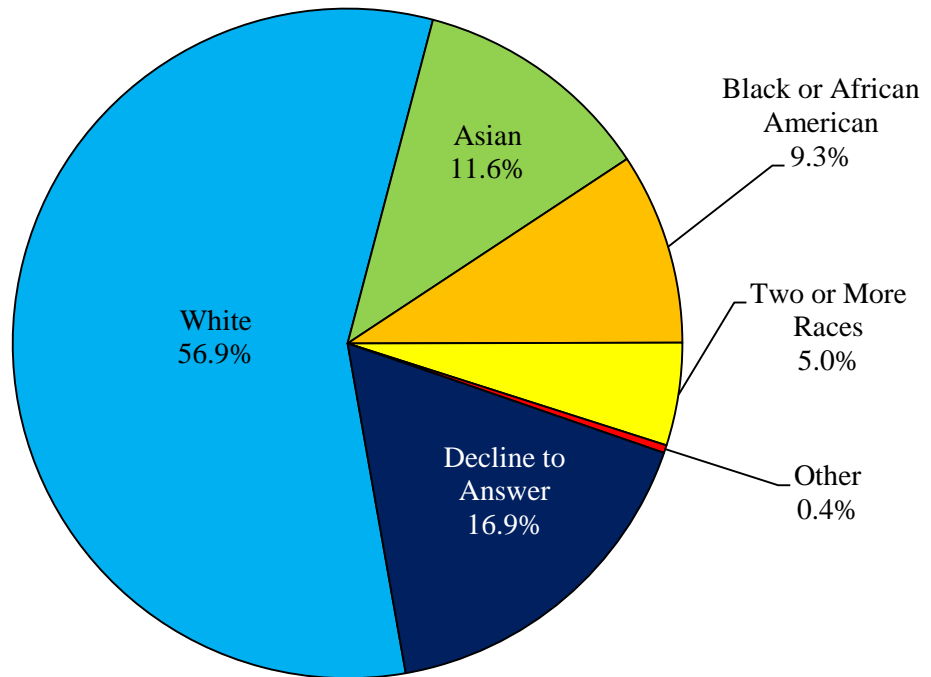
Exhibit A2.4
Grant and Loan Recipients by Industry

<u>Industry</u>	<u>All Funded Grants</u>	<u>All Funded Loans</u>	<u>Businesses in Industry – 2019</u>
Health Care and Social Assistance	16.5%	14.3%	10.6%
Accommodation and Food Services	15.9%	17.0%	7.3%
Other Services	12.0%	8.6%	11.2%
Professional, Scientific, and Technical Services	10.5%	9.3%	17.9%
Retail Trade	9.8%	9.3%	10.6%
Construction	7.1%	9.8%	9.7%
Arts, Entertainment, and Recreation	3.9%	3.5%	1.5%
Other or No Information	24.4%	28.2%	31.4%

Source: Department of Commerce

Finally, Commerce collected demographic information for recipients of the grant and loan programs through its follow-up survey. The breakdown of recipients by race is shown in **Exhibit A2.5**. Among all businesses in the State, 77.2% are White-owned, 12.8% are Asian-owned, and 6.3% are Black-owned. The survey results also indicated that 41.4% of awards went to women-owned businesses, 4% to Hispanic or Latino businesses, and 10.4% to veteran-owned businesses.

Exhibit A2.5
Grant and Loan Recipients by Race



Note: Recipient business is at least 51% owned and controlled by a person of the indicated racial category.

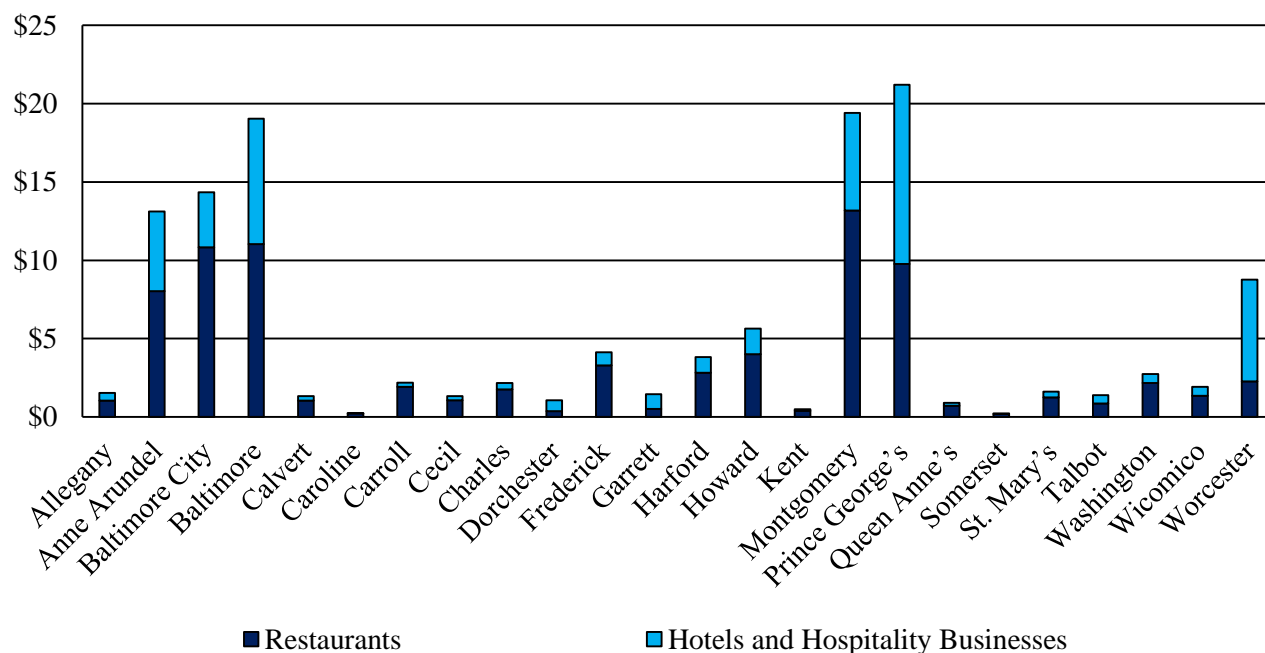
Source: Department of Commerce

Appendix 3

Restaurant and Hotel Relief Programs

The Department of Commerce (Commerce) allocated the \$80 million in Rainy Day funds provided for restaurant relief and the \$50 million for hotel and hospitality business relief to local jurisdictions to distribute through local relief programs. For the restaurant program, funds were allocated to jurisdictions based on the percentage of restaurant establishments in 2019, while the hotel and hospitality business funding was distributed based on the percentage of sales tax revenue related to lodging in each jurisdiction. **Exhibit A3.1** shows the allocations of funding for both programs by jurisdiction. Although Commerce is not actively tracking the disbursement of funds from local programs, local jurisdictions are required to disburse all funds by March 31, 2021, and to report to Commerce on the use of funds by June 30, 2021.

Exhibit A3.1
Restaurant and Hotel Relief Allocations by County
 (\$ in Millions)



Note: Funding for the restaurant relief program was provided in two rounds. The first round of \$50 million initially had an expenditure deadline of December 31, 2020, but this deadline was extended to March 31, 2021, after the second round of funding was announced.

Source: Department of Commerce

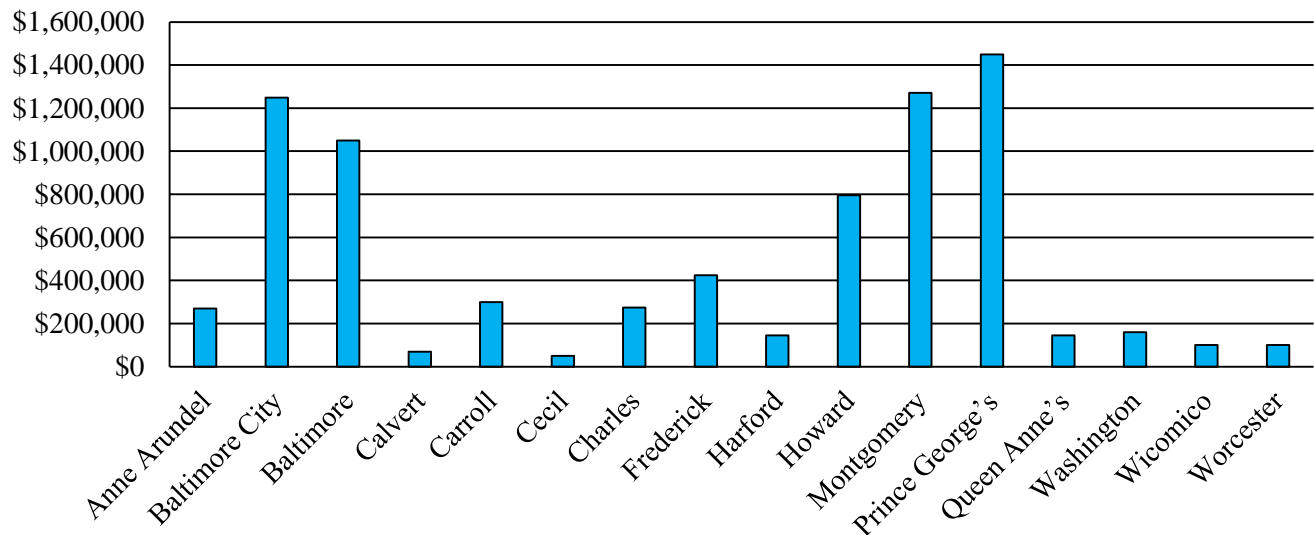
Appendix 4

Maryland Small Business Development Financing Authority COVID-19 Relief

The Governor provided \$5 million in federal coronavirus relief funds for the Maryland Small Business Development Financing Authority (MSBDFA) in June 2020 to provide relief to businesses owned by economically or socially disadvantaged entrepreneurs. MSBDFA received nearly 250 applications totaling \$22 million, and in October 2020, the Governor provided an additional \$5 million in Rainy Day funds for the program to fund loans to companies that had already applied. However, MSBDFA determined that it could not fund many of the applications due to credit weakness, and the program reopened for new applications in November 2020. The program provided five-year term loans of \$25,000 to \$200,000, with 0% interest for the first year and 2% for the remaining term.

MSBDFA used approximately \$420,000 of the \$10 million total for administrative expenses and, as of January 2021, had disbursed \$7.9 million to 110 companies, as shown in **Exhibit A4.1**. MSBDFA expects to encumber the remaining funds by mid-February. The average loan size was \$71,000, and the program helped create 186 jobs and retain 919 jobs. The RELIEF Act also allows MSBDFA to forgive up to \$50,000 per loan. Of the 110 companies that have received funding as of January 2021, 63 can have their loans entirely forgiven by this provision, while the remaining 47 have combined loans totaling \$5.3 million, of which \$3.0 million cannot be forgiven (an average of \$64,000 per loan recipient).

Exhibit A4.1
MSBDFA COVID-19 Relief Awards by County



MSBDFA: Maryland Small Business Development Financing Authority

Source: Department of Commerce

Appendix 5

Emergency Arts Grants

The Maryland State Arts Council (MSAC) in the Department of Commerce (Commerce) awarded \$7 million in Emergency Arts Grants in three rounds of funding. The first round was announced in April 2020 and consisted of \$467,900 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act that Commerce received directly from the National Endowment for the Arts in addition to \$556,050 in general funds from MSAC's fiscal 2020 appropriation, with \$1 million awarded to independent artists and arts organizations and nearly \$24,000 spent on program administration. The second round was announced in July and consisted of \$3 million in federal coronavirus relief funds from the CARES Act, while the third round opened in October and was funded with \$3 million in special funds from the Rainy Day Fund. Both the second and third rounds were available to county arts agencies and managing entities of Arts and Entertainment Districts, in addition to independent artists and arts organizations. **Exhibit A5.1** shows the distribution of funding from all rounds by the type of grant recipient.

Exhibit A5.1

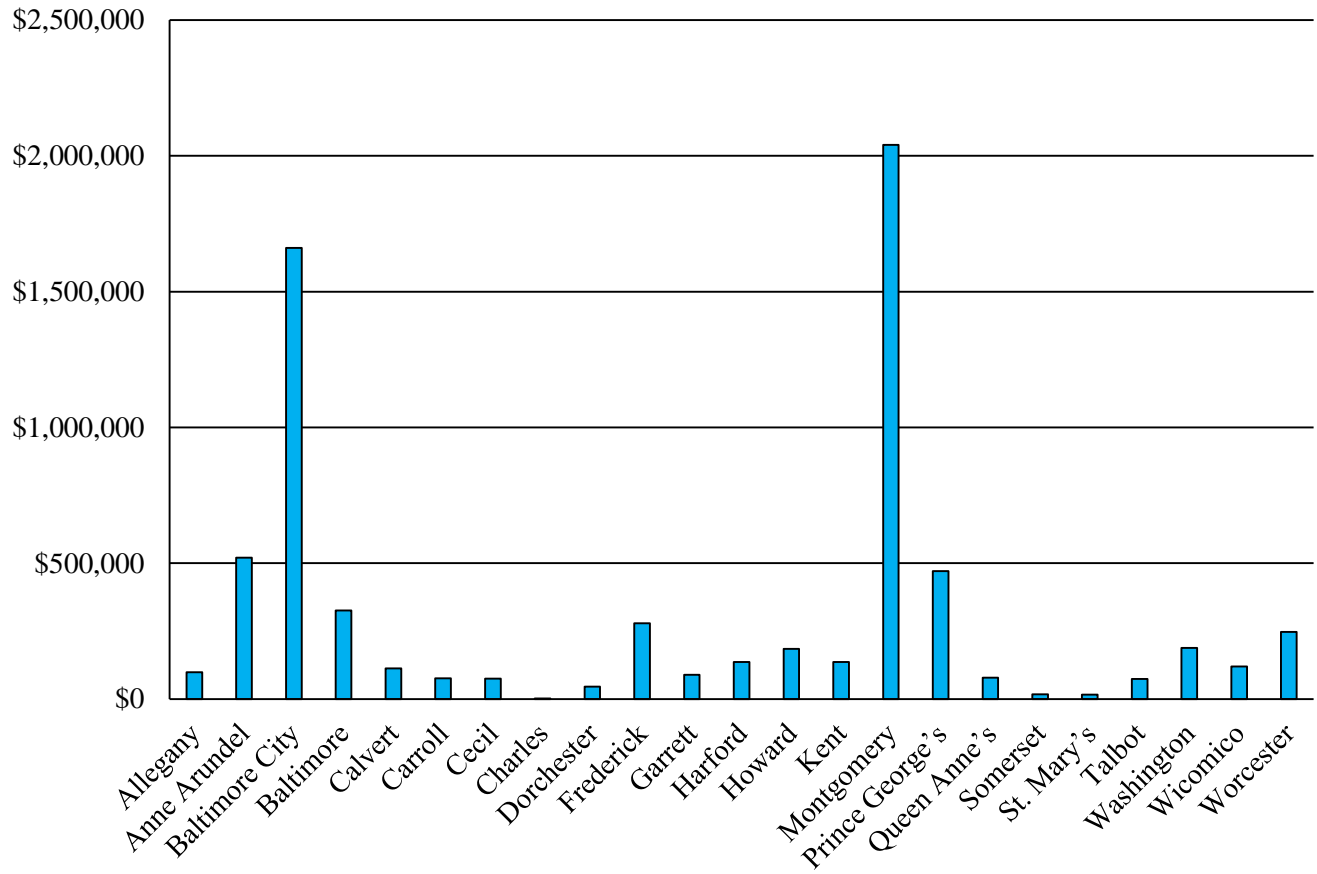
Emergency Arts Grants by Type

<u>Grant Type</u>	<u>Amount</u>	<u>Recipients</u>
Arts Organizations	\$4,481,595	284
Independent Artists	1,158,714	348
County Arts Agencies and Arts and Entertainment Districts	1,359,691	49
Total	\$7,000,000	681

Source: Department of Commerce

Exhibit A5.2 shows the distribution of Emergency Arts Grants by jurisdiction.

Exhibit A5.2
Emergency Arts Grants by County

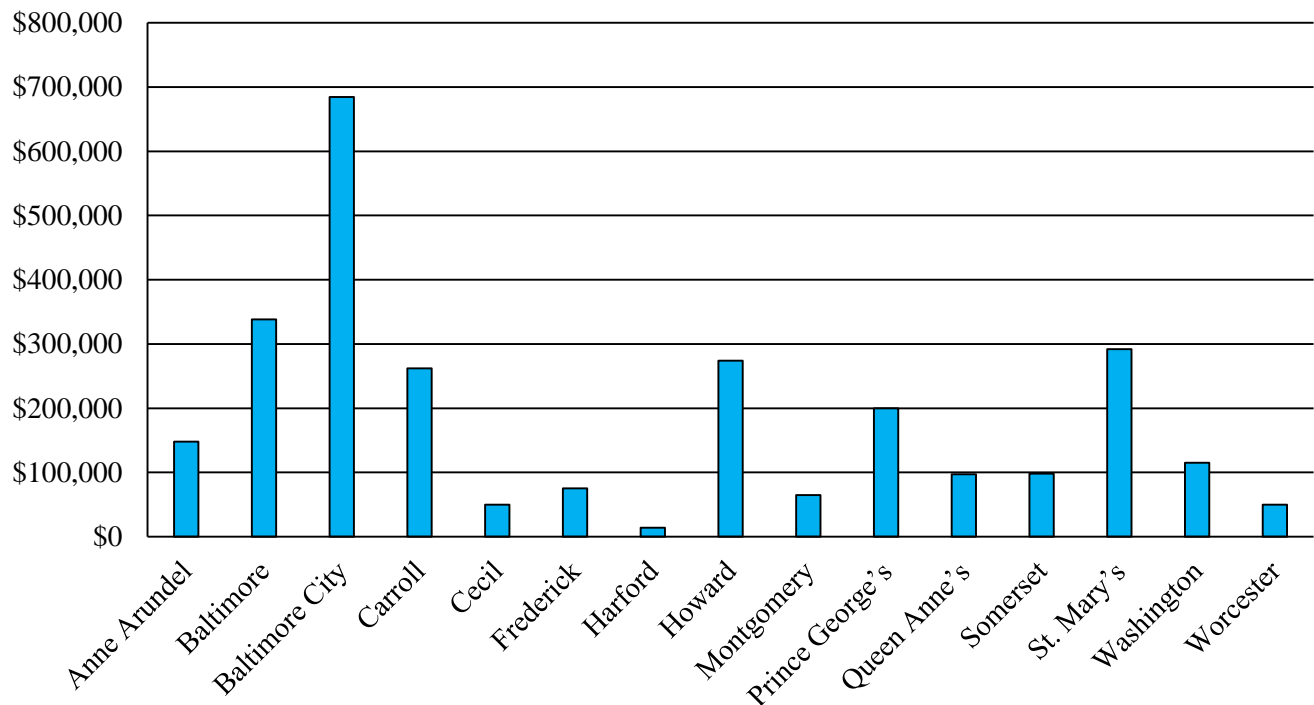


Source: Department of Commerce

Appendix 6 Emergency Relief Manufacturing Fund

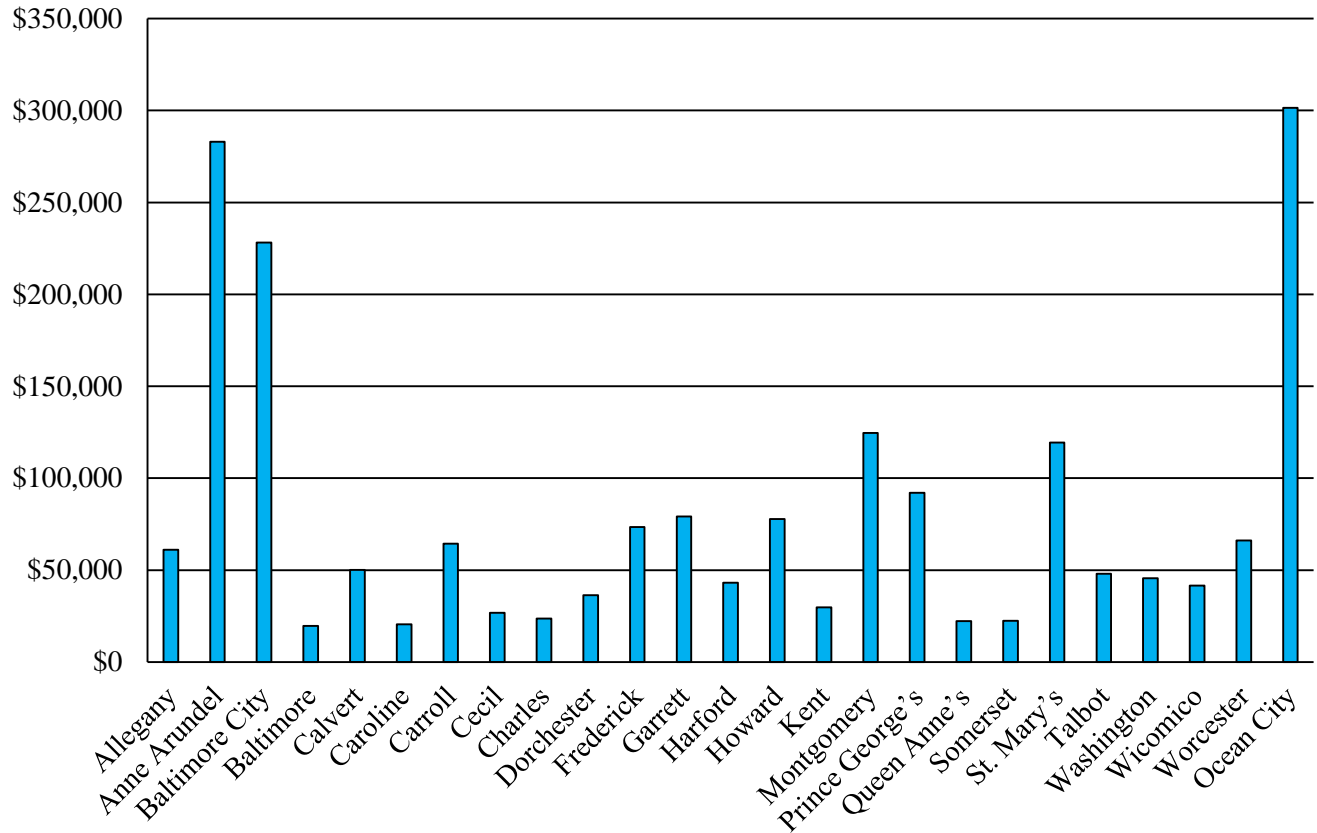
The Governor provided \$5 million in federal coronavirus relief funds to incentivize the production of critical needs items, including personal protective equipment, ventilators, and other equipment. Funding could be used to either increase existing capacity to produce needed items or to convert operations to produce these items. The Department of Commerce awarded a little over \$4 million to 52 companies in June 2020. These companies received 50% of funds awarded upon notice of the award, with the remaining 50% to be disbursed when the companies showed proof of expenses. As of January 2021, \$2.8 million had been disbursed, with the remaining \$1.2 million awaiting completion of proof of expenses. **Exhibit A6.1** shows the funds disbursed by jurisdiction as of January 2021.

Exhibit A6.1
Emergency Manufacturing Awards by County



Source: Department of Commerce

Appendix 7
Hometown Tourism Awards by Jurisdiction



Note: Funding was awarded to Destination Marketing Organizations based on a prorated share of the fiscal 2021 regular grant award.

Source: Department of Commerce

Appendix 8
Object/Fund Difference Report
Department of Commerce

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	188.00	188.00	188.00	0.00	0%
02 Contractual	25.35	26.00	32.75	6.75	26.0%
Total Positions	213.35	214.00	220.75	6.75	3.2%
Objects					
01 Salaries and Wages	\$ 21,189,319	\$ 21,889,225	\$ 21,647,461	-\$ 241,764	-1.1%
02 Technical and Spec. Fees	1,361,910	1,324,803	1,615,318	290,515	21.9%
03 Communication	287,046	349,135	323,948	-25,187	-7.2%
04 Travel	462,480	730,124	560,337	-169,787	-23.3%
06 Fuel and Utilities	20,301	25,438	19,573	-5,865	-23.1%
07 Motor Vehicles	276,523	291,189	192,716	-98,473	-33.8%
08 Contractual Services	14,696,950	17,355,502	16,851,401	-504,101	-2.9%
09 Supplies and Materials	160,373	276,256	243,837	-32,419	-11.7%
10 Equipment – Replacement	16,835	21,700	13,550	-8,150	-37.6%
11 Equipment – Additional	5,731	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	113,116,211	271,049,011	73,855,369	-197,193,642	-72.8%
13 Fixed Charges	2,428,292	2,426,425	1,790,239	-636,186	-26.2%
14 Land and Structures	58,235,116	38,001,860	28,147,500	-9,854,360	-25.9%
Total Objects	\$ 212,257,087	\$ 353,740,668	\$ 145,261,249	-\$ 208,479,419	-58.9%
Funds					
01 General Fund	\$ 81,709,297	\$ 77,471,152	\$ 79,620,451	\$ 2,149,299	2.8%
03 Special Fund	29,198,583	178,418,372	61,506,185	-116,912,187	-65.5%
05 Federal Fund	99,834,362	97,851,144	4,134,613	-93,716,531	-95.8%
09 Reimbursable Fund	1,514,845	0	0	0	0.0%
Total Funds	\$ 212,257,087	\$ 353,740,668	\$ 145,261,249	-\$ 208,479,419	-58.9%

Note: The fiscal 2021 appropriation does not include targeted reversions or general salary increases. The fiscal 2022 allowance does not include contingent reductions, annual salary reviews, or annualization of general salary increases.

Appendix 9
Fiscal Summary
Department of Commerce

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
01 Office of the Secretary	\$ 1,628,057	\$ 1,796,563	\$ 1,599,404	-\$ 197,159	-11.0%
02 Office of Policy and Research	1,574,196	1,732,374	1,562,917	-169,457	-9.8%
03 Office of the Attorney General	1,493,088	1,506,393	1,414,087	-92,306	-6.1%
06 Division of Marketing and Communications	2,390,025	0	0	0	0%
07 Office of International Investment and Trade	3,263,744	0	0	0	0%
08 Division of Administration and Technology	5,428,377	5,157,095	6,190,788	1,033,693	20.0%
09 Office of Military and Federal Affairs	2,495,105	0	0	0	0%
10 Maryland Marketing Partnership	1,894,214	2,000,000	2,000,000	0	0%
01 Division of Business and Industry Sector Development	504,958	765,559	762,284	-3,275	-0.4%
02 Office of BioHealth	759,606	0	0	0	0%
03 Maryland Small Business Development Financing Authority	1,666,531	1,827,716	1,663,375	-164,341	-9.0%
04 Office of Business Development	3,957,474	3,888,950	3,806,533	-82,417	-2.1%
05 Office of Strategic Industries and Entrepreneurship	1,544,163	3,719,528	3,292,856	-426,672	-11.5%
06 Office of Cybersecurity and Aerospace	397,488	0	0	0	0%
07 Partnership for Workforce Quality	1,000,000	1,000,000	1,000,000	0	0%
08 Office of Finance Programs	3,675,227	4,155,033	3,287,821	-867,212	-20.9%
09 Maryland Small Business Development Financing Authority	4,461,879	15,460,000	5,460,000	-10,000,000	-64.7%
10 Office of International Investment and Trade	0	3,262,856	3,175,151	-87,705	-2.7%
11 Maryland Not-For-Profit Development Fund	237,500	337,500	337,500	0	0%
12 Maryland Biotechnology Investment Tax Credit	12,000,000	12,000,000	12,000,000	0	0%
13 Office of Military Affairs and Federal Affairs	0	2,998,632	3,487,060	488,428	16.3%
15 Small, Minority, and Women-Owned Business Investment Account	0	17,369,226	17,712,181	342,955	2.0%
16 Economic Development Opportunity Fund	5,000,000	5,000,000	5,000,000	0	0%
18 Military Personnel and Service-Disabled Veteran Loan	150,000	300,000	300,000	0	0%

T00 – Department of Commerce

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
19 Cybersecurity Investment Incentive Tax Credit Program	2,000,000	1,000,000	2,000,000	1,000,000	100.0%
20 Maryland E-nnovation Initiative	6,500,000	8,500,000	0	-8,500,000	-100.0%
21 Maryland Economic Adjustment Fund	0	200,000	200,000	0	0%
23 Maryland Economic Development Assistance Authority	100,146,778	205,182,321	18,000,000	-187,182,321	-91.2%
24 More Jobs for Marylanders Tax Credit Reserve Fund	1,000,000	2,000,000	2,000,000	0	0%
25 More Jobs for Marylanders Sales and Use Tax Credit	1,000,000	0	0	0	0%
26 More Jobs for Marylanders Tax Credit Reserve Fund - Opportunity Zones	6,000,000	0	0	0	0%
01 Office of the Assistant Secretary	658,495	333,745	314,682	-19,063	-5.7%
02 Office of Tourism Development	3,449,604	5,029,105	3,719,177	-1,309,928	-26.0%
03 Maryland Tourism Development Board	10,203,040	12,660,000	10,660,000	-2,000,000	-15.8%
04 Office of Marketing and Communications	0	3,119,677	2,665,221	-454,456	-14.6%
05 Maryland State Arts Council	24,817,538	30,438,395	27,380,212	-3,058,183	-10.0%
08 Preservation of Cultural Arts Program	500,000	1,000,000	1,000,000	0	0%
01 Economic Development Opportunities Program Account	460,000	0	3,270,000	3,270,000	0%
Total Expenditures	\$ 212,257,087	\$ 353,740,668	\$ 145,261,249	-\$ 208,479,419	-58.9%
General Fund	\$ 81,709,297	\$ 77,471,152	\$ 79,620,451	\$ 2,149,299	2.8%
Special Fund	29,198,583	178,418,372	61,506,185	-116,912,187	-65.5%
Federal Fund	99,834,362	97,851,144	4,134,613	-93,716,531	-95.8%
Total Appropriations	\$ 210,742,242	\$ 353,740,668	\$ 145,261,249	-\$ 208,479,419	-58.9%
Reimbursable Fund	\$ 1,514,845	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 212,257,087	\$ 353,740,668	\$ 145,261,249	-\$ 208,479,419	-58.9%

Note: The fiscal 2021 appropriation does not include targeted reversions or general salary increases. The fiscal 2022 allowance does not include contingent reductions, annual salary reviews, or annualization of general salary increases.