

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 994  
Economic Matters

(Delegates Mizeur and Vaughn)

Finance

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**Maryland Small Business Resources Workgroup**

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This bill establishes a Maryland Small Business Resources Workgroup to study issues relating to the Linked Deposit Program in the Department of Housing and Community Development (DHCD). DHCD must provide staff for the workgroup. The workgroup must report its findings and recommendations to the Governor and the General Assembly by December 1, 2012.

The bill takes effect July 1, 2012, and terminates June 30, 2013.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for workgroup members and staffing costs for DHCD are assumed to be minimal and absorbable within existing budgeted resources.

**Local Effect:** None

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The workgroup must:

- study how funds are currently being spent through the Linked Deposit Program in DHCD;
- study ways to increase and maximize future funds made available through that program;

- study the factors causing lenders in Maryland to refrain from issuing loans through the program;
- consider alternative methods of financing for the program that would increase a lender's likelihood of participating in the program; and
- make recommendations that seek to ensure the long-term success of the program.

Workgroup members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations.

**Current Law/Background:** The purpose of the Linked Deposit Program in DHCD is to stimulate opportunities for certified Minority Business Enterprises (MBEs) to have access to credit by assisting the businesses in obtaining loans at lower than market interest rates. Under the program, a financial institution provides a loan to a certified MBE at an interest rate two percentage points lower than it would otherwise charge. In return, the Treasurer may make one or more interest bearing deposits that are equal to the amount of the loan made by the financial institution or the aggregate of two or more loans made by one or more financial institutions. The Treasurer accepts an interest rate on the deposit that is two percentage points lower than current market rates.

An MBE is a legal entity, other than a joint venture, that is:

- organized to engage in commercial transactions;
- at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged; and
- managed by, and the daily business operations of which are controlled by, one or more of the socially and economically disadvantaged individuals who own it.

MBEs include not-for-profit entities organized to promote the interests of physically or mentally disabled individuals.

According to DHCD's 2011 Annual Report, the Linked Deposit Program enrolled almost \$2 million and assisted five certified MBEs in fiscal 2011.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Business and Economic Development, Board of Public Works, Department of Housing and Community Development, Maryland Department of Transportation, Maryland State Treasurer's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2012  
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