

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 256
(Delegate Forbes)
Ways and Means

Maryland Nonprofit Development Center Program – Nonprofit, Interest-Free, Micro Bridge Loan (NIMBL) Account – Funding

This bill alters the distribution of video lottery terminal (VLT) proceeds from the Small, Minority, and Women-Owned Businesses Account (SMWOBA) to the Nonprofit Interest-Free, Micro Bridge Loan (NIMBL) account within the Maryland Nonprofit Development Center Program Fund (MNDCF). Beginning in fiscal 2023, instead of the distribution being *up to* 5.0% of SMWOBA funds, not to exceed \$1.0 million annually, it is required to be 5.0%, still not to exceed \$1.0 million annually. Other aspects of NIMBL, such as use of available funds, are unchanged. The Governor must include a \$1.0 million general fund appropriation to MNDCF in the Department of Commerce in fiscal 2024 for loans made under NIMBL. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund expenditures for Commerce increase by \$92,600 in FY 2023 to administer the enhanced NIMBL program; out-years reflect the mandated appropriation and elimination of one-time costs. Special fund revenues and expenditures increase by \$1.0 million in FY 2024 and, to the extent more loans and loan repayments occur, increase beginning in FY 2023. **This bill establishes a mandated appropriation for FY 2024 and modifies a mandated distribution beginning in FY 2023.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	-	\$1,000,000	-	-	-
GF Expenditure	\$92,600	\$1,084,200	\$86,600	\$88,900	\$91,300
SF Expenditure	-	\$1,000,000	-	-	-
Net Effect	(\$92,600)	(\$1,084,200)	(\$86,600)	(\$88,900)	(\$91,300)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law: The Maryland Nonprofit Development Center Program within Commerce is charged with assisting the economic growth and revitalization of nonprofit entities in the State. The program must do so by providing (1) grants for training and technical assistance services and (2) 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 program operates out of MNDCPF. The NIMBL account within that fund is used to provide no-interest bridge loans of up to \$25,000 to eligible nonprofit entities, subject to specified requirements. In addition to other sources, the account consists of money received from required SMWOBA transfers: up to 5.0% of SMWOBA funds received from VLT proceeds, capped at \$1.0 million, each fiscal year. When the NIMBL account balance reaches \$1.0 million, any money in excess of that amount must be transferred to SMWOBA.

Video Lottery Terminal Proceeds

The distribution of VLT proceeds differs by each video lottery facility. However, a small percentage of gross VLT proceeds is distributed to SMWOBA each fiscal year to provide investment capital and loans to small, minority, and women-owned businesses in the State.

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.

State Fiscal Effect: SMWOBA's allocation of VLT revenue is projected to be approximately \$19.3 million in fiscal 2023 and more than \$20.0 million going forward. Thus, special fund revenues for the NIMBL account in MNDCPF from SMWOBA transfers total \$967,100 in fiscal 2023 and \$1.0 million annually thereafter. This represents a significant increase in program funding for NIMBL – the program's fiscal 2023 budget is \$187,500. For context, Commerce advises that demand for the program typically ranges from \$100,000 to \$300,000 annually. Existing Commerce staff administers the program; however, the additional funding provided under the bill, and the expectation to issue a commensurate number of additional loans, requires an additional staff. Commerce advises that NIMBL funds cannot be used to pay for staff.

Accordingly, general fund expenditures increase by \$92,576 in fiscal 2023, which accounts for the bill's July 1, 2022 effective date. This estimate reflects the cost of hiring one portfolio specialist to administer the enhanced NIMBL program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$84,968
Other Operating Expenses	<u>7,608</u>
Total FY 2023 Personnel Expenditures	\$92,576

Future year expenditures reflect annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Special fund revenues and expenditures may increase beginning as early as fiscal 2023 as the loans made with the additional NIMBL funds are repaid and that revenue is used to make additional loans. Any such effect is likely delayed, however.

Additionally, the bill requires a general fund mandated appropriation of \$1.0 million to MNDCPF in Commerce in fiscal 2024, to be used for loans made under the NIMBL account. Therefore, general fund expenditures also increase by \$1.0 million in fiscal 2024. The bill's mandated appropriation of \$1.0 million to the NIMBL account, plus the 5% distribution from SMWOBA to the NIMBL account, will create a NIMBL account balance exceeding \$1.0 million. Funds in excess of \$1.0 million in the NIMBL account must be transferred to SMWOBA; thus, special fund revenues to SMWOBA increase by \$1.0 million in fiscal 2024. Commerce must provide grants to eligible fund managers with SMWOBA funds, so special fund expenditures increase by \$1.0 million in fiscal 2024. To the extent that the NIMBL account reaches \$1.0 million in other years, any money in excess of that amount will be transferred to SMWOBA.

Small Business Effect: Eligible fund managers provide investment capital and loans to small, minority, and women-owned businesses in the State with funds from SMWOBA. By requiring a 5% distribution from SMWOBA, instead of a discretionary distribution, SMWOBA funds decrease by up to \$967,100 in fiscal 2023 and by up to \$1.0 million in fiscal 2025 and thereafter. Thus, some small businesses may receive less in SMWOBA funds. There is no effect to small businesses in fiscal 2024 because the decrease in revenues from the 5% distribution to NIMBL is essentially recouped by the mandated appropriation of \$1.0 million.

Additional Comments: Nonprofits are not considered small businesses for purposes of fiscal and policy notes; however, small nonprofits benefit from additional funding available under the NIMBL program.

Additional Information

Prior Introductions: A similar bill, SB 376 of 2021, passed the Senate with amendments and received a favorable report from the House Appropriations Committee, but no further action was taken.

Designated Cross File: SB 245 (Senator Kagan) - Budget and Taxation.

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

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