

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
Enrolled

House Bill 386

(Delegate D. Jones, *et al.*)

Ways and Means

Budget and Taxation

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Anne Arundel County and City of Annapolis - Small, Minority, and Women-Owned Businesses Account - Local State of Emergency

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This bill expands the eligible uses of the Small, Minority, and Women-Owned Businesses Account (SMWOBA) to include grants to businesses and nonprofit organizations in Anne Arundel County and the City of Annapolis when in a local state of emergency as declared by the principal executive officer. The bill also establishes a Workgroup to Study the Establishment of a State Disaster Relief Fund, staffed by the Maryland Department of Emergency Management (MDEM). The workgroup must study and report its recommendations regarding the efficacy and sustainability of existing emergency fund sources and the potential establishment of a State Disaster Relief Fund. **The bill takes effect July 1, 2022. The workgroup terminates June 30, 2023; all other provisions of the bill terminate June 30, 2024.**

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Fiscal Summary

**State Effect:** The Department of Commerce can handle the bill’s requirements with existing budgeted resources. The bill does not affect revenues into or expenditures from SMWOBA, as discussed below. MDEM can staff the workgroup with existing resources.

**Local Effect:** The Anne Arundel Economic Development Corporation manages a portion of SMWOBA funds, so it benefits in FY 2023 and 2024 from additional flexibility to provide grants or to convert loans to grants subsequent to a local declaration of emergency in Anne Arundel County or the City of Annapolis; however, to the extent those funds would have otherwise been repaid, local revenues and subsequent local expenditures decrease in Anne Arundel County.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** When in a declared local state of emergency in Anne Arundel County or the City of Annapolis, eligible fund managers may provide financial assistance in the form of a grant or by converting a prior loan to a grant – with a \$50,000 limit on either form of assistance to a single business or nonprofit organization. Commerce must approve any assistance to a business or nonprofit organization before a fund manager distributes a grant or converts a loan to a grant under the bill. Commerce must also ensure that the financial assistance does not exceed the amount of money distributed to SMWOBA from the video lottery terminal (VLT) proceeds at the video lottery facility located in Anne Arundel County.

### *Workgroup to Study the Establishment of a State Disaster Relief Fund*

A member of the workgroup may not receive compensation as a member of the workgroup but is entitled to reimbursement for travel expenses, as provided in the State budget. By December 31, 2022, the workgroup must report its findings and recommendations to the Governor and the General Assembly. The workgroup terminates six months later.

### **Current Law:**

#### *Small, Minority, and Women-Owned Businesses Account*

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. 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.

Chapter 116 of 2021 expanded the eligible uses of SMWOBA to include grants in areas declared to be federal disaster areas or subject to a federal or State declaration of emergency. In those circumstances, eligible fund managers may provide financial assistance in the form of a grant or by converting a prior loan to a grant – with a \$50,000 limit on either form of assistance to a single business and an aggregate limit of \$10.0 million in a fiscal year.

#### *Local State of Emergency*

Only the principal executive officer of a political subdivision may declare a local state of emergency. A local state of emergency may not continue or be renewed for longer than 30 days without the consent of its governing body.

**State Expenditures:** Commerce can approve assistance to a business or nonprofit organization in fiscal 2023 and 2024 with existing resources; however, Commerce notes approving assistance to businesses and nonprofit organizations before a fund manager can distribute funding likely delays the deployment of funds.

SMWOBA funds are allocated to eligible fund managers and then used to provide investment capital and loans. Funds repaid to the fund managers over time do not accrue to SMWOBA – they are held by the fund managers, outside of the State budget, to be used to provide additional rounds of assistance. Therefore, authorizing fund managers to issue grants or convert prior loans to grants under limited circumstances in fiscal 2023 and 2024 does not affect State revenues into or expenditures from SMWOBA.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 310 (Senator Elfreth, *et al.*) - Budget and Taxation.

**Information Source(s):** Anne Arundel County; Maryland Association of Counties; Maryland Municipal League; Department of Commerce; Maryland Department of Emergency Management; Maryland State Treasurer’s Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2022  
rh/ljm Third Reader - April 8, 2022  
Revised - Amendment(s) - April 8, 2022  
Enrolled - April 25, 2022

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Analysis by: Heather N. MacDonagh

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510