

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 601

(Delegate Phillips, *et al.*)

Ways and Means

Finance

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**Economic Development - Small Business Guaranty Fund - Alterations**

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This bill authorizes the Maryland Small Business Development Financing Authority (MSBDFA) to provide a guaranty under its Long-term Guaranty Program through (1) an irrevocable letter of credit; (2) an official treasurer's check; (3) funds on deposit in an escrow or other depository account; or (4) any other legal instrument promising a financial institution restitution or reimbursement for its loan losses, within the limits of the guaranty. The terms and conditions governing the above options may not be so onerous as to discourage the financial institution from offering the loan.

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**Fiscal Summary**

**State Effect:** Special fund expenditures for MSBDFA are likely not materially affected, as discussed below. Revenues are not affected.

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

**Small Business Effect:** Minimal. Program activity is limited.

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**Analysis**

**Current Law:** MSBDFA provides financing options for small businesses that are not able to qualify for financing from private lending institutions or are owned by socially and economically disadvantaged persons. Subject to specified conditions, the Department of Commerce may (and does) contract for and engage the services of some or all of the MSBDFA staff to administer the authority's programs. MSBDFA has four programs: the Contract Financing Program; the Long-term Guaranty Program; the Surety Bond Program; and the Equity Participation Investment Program. Each program has a dedicated

special fund in statute; however, in practice, the programs are jointly administered through one fund.

Under the Long-term Guaranty Program, MSBDFA may guarantee up to 80% of the principal and interest of a long-term loan of up to \$2.0 million made by a financial institution for working capital, refinancing existing debt, equipment, making necessary improvements to real property, or acquiring real property. Guarantees under the program are subject to various specified requirements, including that the loan term be no longer than 10 years; MSBDFA may only approve a guaranty if the authority determines the loan will have a substantial economic impact.

**State Fiscal Effect:** Special fund expenditures for MSBDFA are likely not materially affected, as activity under the Long-term Guaranty Program is historically quite limited. Commerce advises that it has not guaranteed a loan under the program since fiscal 2020. Currently, when a loan is guaranteed through the program using its fund balance, Commerce keeps a portion of the loan amount, about 5% to 10%, in reserve. The bill's changes to allow for other legal instruments to provide a guaranty (options one through three described above) do not materially affect this existing process, although there are minor related administrative costs associated with new options, compared to existing practice (allowed under option four described above).

## Additional Information

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File: SB 1008 (Senator Hayes) - Finance.**

**Information Source(s):** Department of Commerce; State Treasurer's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2025  
km/ljm Third Reader - March 17, 2025  
Revised - Amendment(s) - March 17, 2025  
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