



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: March 23, 2021
COMMITTEE: Senate Finance
BILL NO: House Bill 853
BILL TITLE: Small, Minority, and Women-Owned Businesses Account –Alterations
POSITION: Support with Amendment

The Maryland Department of Commerce supports House Bill 853 – Small, Minority, and Women-Owned Businesses Account – Alterations.

Bill Summary:

This bill proposes to expand the eligible uses of the Small, Minority, and Women-Owned Businesses Account (Account) during a declared federal or State declaration of emergency in order to allow financial assistance to a small, minority, or women-owned business to be in the form of a grant or to allow for a portion of a loan to be converted to a grant. The total amount issued or converted to a grant is not to exceed \$50,000 for a single business. Furthermore, the aggregate total of financial assistance provided from the Account during the declaration may not exceed \$2,500,000 in a fiscal year.

Background:

Article XIX of the Maryland Constitution authorizes video lottery terminals (VLTs) to fund education. This provision was enacted pursuant to Chapter 5, Acts of the 2007 Special Session and ratified by Maryland voters in the November 2008 General Election. As a result, Chapter 4, Acts of the 2007 Special Session also became effective and established the Small, Minority, and Women-Owned Businesses Account under the Authority of the Board of Public Works (BPW).

State Government Article §9-1A-27 requires that 1.5 percent of the proceeds from VLTs at each video lottery facility be paid into the Account. State Government Article §9-1A-35 requires BPW to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State, of which at least 50 percent must be allocated to such businesses in the jurisdictions and communities surrounding a video lottery facility. BPW initially designated the Department of Commerce (Commerce), to manage the Account on their behalf, through a Memorandum of Understanding dated August 22, 2012. However, in May 2017 Governor Hogan approved Chapter 453, Acts of 2017, which transferred authority over the program from BPW to Commerce.

The State awarded licenses to operate VLT casinos in Cecil, Worcester, Anne Arundel, Allegany, and Prince George's Counties as well as Baltimore City. The casinos in Cecil, Worcester, and Anne Arundel Counties began VLT gaming operations on September 27, 2010, January 4, 2011, and June 6, 2012, respectively. VLT gaming operations opened in Allegany County at the Rocky Gap Resort in May of 2013. The Baltimore VLT facility opened in August of 2014. National Harbor in Prince George's County opened in December of 2016. The Account

began receiving funds during fiscal year 2011 when the first VLT facility began gaming operations. Commerce currently has contracts with eight Fund Managers throughout the State who oversee the distribution of video lottery terminal funds.

Rationale:

Commerce has learned through its experience with the tornado that destroyed La Plata in the early 2000s, and the 2016 and 2018 floods that destroyed many Ellicott City Main Street businesses, that small businesses are in need of quick capital and often do not want to take on additional debt during a disaster or emergency. Having the ability to offer flexible funding will allow Commerce the ability to assist those businesses most in need in a timely manner.

Commerce learned a valuable lesson during the State's response to current the COVID crisis and the importance of being able to quickly deploy funds. Because of the statutory limitations on several financing programs, Commerce funds could not be deployed quickly and efficiently and in the way that would provide immediate help to small business owners. While Commerce was able to work with existing Fund Managers to ensure flexible lending terms during this time, and at the same time stand up two new programs to assist businesses, it took time. Small, and minority-owned businesses are the most vulnerable during a disaster and they often cannot wait for federal assistance to become available or for the State to stand up new programs. This small change to the Account would allow Commerce to deploy funds quickly to an affected area and leverage its Fund Managers' expertise in how best to assist businesses in impacted communities. These funds would offer a quick injection of support and complement other funding resources as they become available.

Explanation of Amendment:

Commerce would like to propose the attached amendment which would increase the maximum amount of funds that could be provided as grants or loans converted to grants from \$2,500,000 to \$10,000,000. Fund managers would not be required to offer grants or convert loans to grants, but this would allow them the flexibility to do so for the full amount of funding provided through the RELIEF Act.

Commerce respectfully requests a favorable report on House Bill 853.