

PRINCE GEORGE'S FINANCIAL SERVICES CORPORATION (FSC FIRST)

BILL: House Bill 567 – Prince George's Financial Services Corporation (FSC First) – Funding

SPONSOR: Delegate Darryl Barnes

HEARING DATE: Tuesday, February 22, 2022 – 1PM

COMMITTEE: Appropriations

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: SUPPORT

For the record, I am Shelly Gross-Wade, President & CEO of FSC First. The Prince George's Financial Services Corporation (FSC First) Board of Directors **SUPPORTS House Bill 567**, which authorizes the Maryland Department of Commerce to fund an operating grant of \$420,000 to FSC First for internal capacity building purposes in Fiscal Year 2024.

The Prince George's Financial Services Corporation (FSC First) is the premier non-traditional financing organization in Prince George's County. Its mission is to provide innovative and creative financing solutions to small, minority, women and veteran-owned businesses primarily in Prince George's County and throughout the State of Maryland. FSC First has served the local business, with distinction, for more than 43 years.

FSC First is a 501c (3) non-profit organization, designated by the U.S. Small Business Administration to serve as a **certified development company (CDC) in the administration of the SBA 504/Long-term Fixed Asset Financing Program**. This program encourages eligible business owners to transition from occupying leased properties, machinery and equipment to acquire long-term fixed assets and owner-occupied commercial real estate. These capital investments support wealth creation while also supporting the commercial tax base in Prince George's County and the State of Maryland.

Also, FSC First is designated by the U.S. Treasury to serve as a Community Development Financial Institution (**CDFI**). As such, FSC First serves as a SBA Community Advantage (7A) Guaranteed Lender, which allows the direct loans made from our \$5.5 Million revolving loan fund to qualify for up to a 75-85% SBA Guarantee throughout the life of the loan. This **public private partnership** between FSC First, Prince George's County and 12-15 FDIC-insured financial institutions allows FSC First to directly finance disadvantaged businesses that cannot qualify otherwise for traditional bank financing.

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Furthermore, FSC First is designated the Prince George's County **Green Bank, the Economic Development Incentive (EDI Fund) Manager** and as the Commercial Property Assessment for Clean Energy (**C-PACE**) Administrator – encouraging clean energy investments; while also serving as one of eight Fund Managers to the State's video lottery terminal-funded Small, Women and Minority Owned Business Assistance Fund (**SWMOBA**). FSC First serves as an intermediary **Microlender** for the Maryland DHCD Micro-Enterprise Loan Fund; and as a **Fund Manager** for the City of Bowie Revolving Loan Fund and the City of Mount Rainier Incentive Fund. By consolidating all these funding programs in one organization, it allows the resident businesses to have a one-stop shop for access to capital to start and expand their businesses.

Historically, FSC First has been (and continues to be) **subsidized with an annual operating grant by Prince George's County government**. However, due to the significant impact that is being realized by FSC First's direct lending and grant activities, there has been an increased demand for FSC First to offer wrap around services to support an expanded market. We have established a collaborate partnership to support these essential deliverables. *Please see the attached Statement of Need for further information.*

While these **expanded wrap around services**; however, do not yield an immediate breakeven cost-benefit to FSC First, first and foremost these services are essential to the long-term and continued success of the thousands of businesses that we currently assist in our grants and loan portfolios. These expanded services will support FSC First's goal to diversify its revenue streams and maintain level funding from the County grant subsidy. COVID-19 revealed the many fissures in our businesses operational structure; therefore, it is prudent and reasonable that FSC First will need non- County funding to address those critical needs, as proposed in House Bill 567 and the companion bill Senate Bill 657 to support the organization's internal capacity.

There are currently 92 active loans in the portfolio totaling \$40.8 Million in principal balance outstanding. There are 842 grants totaling \$21.5MM under management. Collectively (loans and grants), the portfolio totals \$62.3MM and 934 loans or grants under management. On average, FSC First counsels more than 2,000 small and minority-owned business owners and entrepreneurs annually. In Fiscal Year 2021, ended 6/30/2021, **FSC First attracted \$172 Million** in public- private financing to further support its direct loans to pre-bankable business owners. Historically, however, we have leveraged more than **\$1.3 Billion** in public private investments to our county-based commercial development projects.

We would like to express our gratitude to Delegate Darryl Barnes for his sponsorship of this bill, as well as the members of the Prince George's County Delegation and the House Appropriations Committee for your consideration.

For the reasons stated above, the Board of Directors **SUPPORTS House Bill 567, WITH AMENDMENTS / AS AMENDED**, and asks for a **FAVORABLE** report.