

Meridian Management Group, Inc.
Testimony In Support of an Amendment to S.B. 692

March 3, 2022

Madam Chair and distinguished members of the Senate Finance Committee. Thank you for taking time to hear our testimony in support of an amendment to S.B. 692. My name is Stanley Tucker, President of Meridian Management Group, Inc. (“MMG”) and I am with my partners Timothy Smoot, our Chief Financial Officer and Sr. Vice President, and Anthony Williams, our Senior Investment Officer. MMG is the manager of the Maryland Casino Business Investment Fund (“MCBIF”), one of eight (8) fund managers for the Video Lottery Terminal (“VLT”) fund. In addition, MMG manages the Maryland Small Business Development Financing Authority (“MSBDF”) for the Department of Commerce. In total, our professional staff has over 150 years of experience providing financing, management and technical assistance to small, minority and women-owned businesses in the State of Maryland.

“CAPITALISM WITHOUT CAPITAL DOES NOT WORK”

There continues to be a “lack of access to capital” to support the growth of small, minority and women-owned businesses (“SMWBs”) in Maryland. This lack of access to capital is supported by recent local and national studies, including the Maryland Department of Transportation most recent disparity study.

In view of this continuing disparity and capital need, an amendment to S.B. 692 has been submitted by Senator Jill Carter that proposes that the Recreational Cannabis Bill include a provision that **2% of the annual cannabis sales be directed into the Small, Minority, and Women-Owned Business Account (the “Account”) that is reserved for the purpose of providing equity investments and lending capital to SMWBs in the State of Maryland.** Such a provision will be very similar to the Video Lottery Terminal Fund (“VLT Fund”) legislation that was enacted in 2008, requiring 1.5% of all VLT revenues be allocated to financing for SMWBs. The VLT Fund became active in 2013 and Commerce has since certified eight (8) Eligible Fund Managers (soon to be 10) to manage these funds throughout the state.

The VLT Fund has been very successful and has received a national award for its innovativeness. Maryland has also become a national model for how states can generate revenues to support small, minority and women-owned businesses as well as support education. From FY 2013 through FY 2021, approximately \$79 million has been allocated from the VLT Fund to the Eligible Fund Managers. According to the Department of Commerce's 2021 Annual Report, VLT generated: \$79 million in loans through 772 transactions that created 3,556 jobs and retained 5,148 jobs.

The Account is already established. The structure has been in place for nearly 10 years. It is administered by the Dept. of Commerce which has extensive experience in managing such a fund. These funds are ready to be deployed to small, minority and women-owned businesses that are starving for additional capital.

Proposed Amendment:

1. The Recreational Cannabis Bill should include a provision that **2% of the annual cannabis sales be directed into the Account.** Using estimates developed by The Maryland Cannabis Policy Coalition, during the first 6 years, approximately \$5.6 billion in retail sales could be generated - resulting in approximately \$112 million going into the Account (see attachment).
2. If the two percent (2%) of the annual retail sales is not an acceptable approach, then **alternatively, we recommend that 10% of any excise tax that is assessed against the sale of recreational cannabis be directed into the Account.** Using the same The Maryland Cannabis Policy Coalition estimates, approximately \$94 million would go into the Account (see attachment).
3. Since Maryland currently does not allow funds in the Account to be provided to businesses in the cannabis industry, **we propose that the legislation allow the state financing programs to loan or invest in cannabis businesses.**
4. Finally, the current VLT Fund requires that a minimum of 50% of the funding be provided to businesses that are in certain geographical areas near the Maryland casino venues. **We recommend that none of the dollars from Recreational Cannabis funding be restricted to any geographic designations. Instead, we recommend that a minimum**

of 50% of any allocation go to businesses that want to enter the Cannabis industry; and the remainder 50% to fund other types of small, minority and women-owned businesses throughout the state of Maryland.

Once again, lack of access to capital has always been a challenge for SMWBs in Maryland. Most traditional sources of funding for SMWBs are limited due to the high-risk nature of financing these enterprises. VLT funding helps fill that void. However, additional capital will be needed to support SMWBs in and outside of the cannabis industry. We anticipate the need for access to capital will remain a central component to the future success of SMWBs and the State of Maryland. Hence, more capital will be needed.