

Meridian Management Group, Inc.
Testimony In Support of an Amendment to S.B. 516

March 9, 2023

Madam Chair and distinguished members of the Finance Committee. Thank you for taking time to hear my testimony in support of an amendment to S.B. 516. My name is Stanley Tucker, President of Meridian Management Group, Inc. (“MMG”). MMG is the manager of the Maryland Casino Business Investment Fund (“MCBIF”), one of nine (9) 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, I am proposing that an amendment to S.B. 516 be made to include a provision that **10% of any excise tax or conversion fees that is assessed against the sale or licensing of recreational cannabis be directed into the Small, Minority, and Women-Owned Business 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 nine (9) Eligible Fund Managers 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 2022, approximately \$90 million has been allocated from the VLT Fund to the Eligible Fund Managers. According to the Department of Commerce's 2022 Annual Report, VLT generated: \$90 million in loans through 915 transactions that created 3,831 jobs and retained 6,351 jobs and leveraging \$203.7 million in private sector capital.

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 **10% of any excise tax or conversion fee that is assessed against the sale or licensing of recreational cannabis 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 \$50 million going into the Account (see attachment).
2. Since Maryland currently does not allow funds in the Account to be provided to businesses in the cannabis industry, **we also propose that the legislation allow the state financing programs to loan or invest in cannabis businesses.**
3. 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.**

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. Example, looking at Maryland procurements, infrastructure and offshore wind opportunities alone, there is approximately **\$50 billion in contract opportunities available to minority and women business over the next 5 years**. If MBEs can obtain **25% of this amount**, it represents **approximately \$12.8 billion** in potential revenue. The capital need associated with these opportunities is estimated to be \$3.8 billion. 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.

Attachment

Maryland Estimated Cannabis Revenue Projections

Year	Total Anticipated Retail Sales *	Projected State Tax Rate	State Tax Revenue	Local Tax Revenue (3%)	10% of Retail Sales Tax	Projected Allocation to SMWB Account
2024	\$ 300,220,263	6%	\$ 18,013,216	\$ 9,006,608	10%	\$ 1,801,322
2025	\$ 559,696,165	7%	\$ 39,178,732	\$ 16,790,885	10%	\$ 3,917,873
2026	\$ 825,132,237	8%	\$ 66,010,579	\$ 24,753,967	10%	\$ 6,601,058
2027	\$ 1,048,399,833	9%	\$ 94,355,985	\$ 31,451,995	10%	\$ 9,435,598
2028	\$ 1,184,882,989	10%	\$ 118,488,299	\$ 35,546,490	10%	\$ 11,848,830
2029	\$ 1,694,207,018	10%	\$ 169,420,702	\$ 50,826,211	10%	\$ 16,942,070
Total	\$ 5,612,538,505		\$ 505,467,512	\$ 168,376,155		\$ 50,546,751

* The anticipated retail sales for Maryland are derived from the "Maryland Cannabis Policy Coalition" 2021 estimates which is based on the state of Colorado's annual retail sales.