

SB 215_Commerce_SMWOBA Alterations_Support.pdf

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Position: FAV



Wes Moore | Governor
Aruna Miller | Lt. Governor
Kevin A. Anderson | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

DATE: February 6, 2024
BILL NO: Senate Bill 215
BILL TITLE: Small, Minority, and Women-Owned Businesses Account – Alterations
COMMITTEE: Senate Finance
POSITION: Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 215 - Small, Minority, and Women-Owned Businesses Account - Alterations.

Bill Summary:

Senate Bill 215 alters the eligible uses of the Small, Minority, and Women-Owned Businesses Account (SMWOBA) in two ways: it removes investment capital as an eligible use of the funds, and it authorizes the option of awarding a grant of up to \$10,000 when the Fund Managers issue a loan through the program.

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 (the 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 Commerce to manage the Account on their behalf through a Memorandum of Understanding dated August 22, 2012, until Chapter 453, Acts of 2017, officially transferred authority over the program from BPW to Commerce.

Chapter 116, Acts of 2021 authorized the Fund Managers to provide grants or loans converted to a grant not to exceed \$50,000 for a single business during a Federal Declaration of Emergency or an Official Declaration of Emergency by the Governor. The Fund Managers deployed \$10 million in Relief funding during the pandemic.

The Department currently has nine Fund Managers across the State and continues to seek proposals for additional Fund Managers to assist with deployment. As of July 1, 2023, the Fund has settled 1,067 transactions totaling \$108.9 million since inception, helping to create and retain 11,707 jobs. In FY 2023 just under \$19 million in loans were closed, supporting 1,570 jobs.

Rationale:

As demonstrated through the utilization data provided above, Commerce considers SMWOBA to be one of the Department's most successful programs and likely the most useful program for small business assistance. Despite that success, the Department knows more can always be done to assist small businesses. Additionally, the program has a fund balance and repayments come back into the program, so Commerce wants to ensure these funds can be deployed at even higher rates to the businesses who need them. To that end, Commerce, in consultation with the Fund Managers, believes that pairing a \$10,000 grant with a loan would help increase demand and activity in the SMWOBA program by offering small businesses more flexible funding opportunities to assist them with their capital needs. Increasing access to capital to the areas surrounding video lottery terminal facilities and underserved small, minority and women-owned businesses is an important element of the SMWOBA program. Adding a grant component to the program will make it more attractive to potential borrowers and help with deploying SMWOBA funds. Fund Managers would not be required to offer grants, but this alteration would give them the authority to offer them in situations where they believe the business could use additional assistance. Commerce often receives requests from businesses for grant funding and can only offer grants in specific circumstances – altering SMWOBA to include a grant capacity should result in increased demand for the program and assist in deploying these funds to the businesses intended to benefit from them.

Removing investment capital as an eligible use of funds is conforming the statute to existing practice. When the program was implemented, it was determined that due to federal securities laws and rules related to what types of entities are deemed to be “accredited investors”, SMWOBA could not be used for capital investments despite it being allowed in statute.

The SMWOBA program has provided much needed assistance to Maryland's small, minority and women-owned businesses since it was created and has supported thousands of jobs in the process. Commerce and the SMWOBA fund managers take pride in the program's ability to set flexible terms in order to better serve the needs of those businesses. Senate Bill 215 will improve the program further with the addition of grants as an eligible use of the funds – giving businesses even more financial assistance when they need it most.

Commerce respectfully requests a favorable report on Senate Bill 215.

MCE SB 215 Support Letter.pdf

Uploaded by: Nick Rudolph

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January 17, 2023

The Honorable Senator Pamel Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: Letter of Support for Senate Bill 215, Small, Minority, and Women-Owned Business Account – Alterations

Dear Senator Beidle,

My name is Maurice Ames, Executive Director, Maryland Capital Enterprises, Inc.(MCE), and I am pleased to provide this letter of support for Senate Bill 215, Small, Minority, and Women-Owned Business Account – Alterations. Senate Bill 215 updates the statute governing the use of funds by fund managers to support small businesses across the state. Specifically, this bill will allow the first \$10,000 of any Video Lottery Terminal funded loan to become a grant for the small businesses receiving the loan.

MCE's average VLT loan is \$60,000 and results in over \$20,000 in interest payments. The volume of additional loans this proposed alteration allows will create a stream of interest income that can be revolved back into loan funds and/or fund small business counseling and technical assistance, creating even resources and more access to capital for small, minority and women-owned businesses.

This grant in addition to loan funds will be a vital tool for providing much needed access to capital to our smallest businesses as they face challenges and opportunities to make their businesses more sustainable while creating new revenue streams and employment opportunities. The grant portion of the loan will make the product more desirable to Maryland's small businesses while showing an investment in entrepreneurship across the State.

For these reasons, I support and respectfully urge the Senate Finance Committee to act favorably upon Senate Bill 215.

Sincerely,

A handwritten signature in black ink that reads "Maurice Ames".

Maurice Ames,
Executive Director

MMG Testimony in Support of SB 215.pdf

Uploaded by: Stanley W. Tucker

Position: FAV

Meridian Management Group, Inc.
Testimony In Support of S.B. 215

February 6, 2024

Good afternoon, Madam Chair and distinguished members of the Finance Committee. Thank you for taking time to hear my testimony in support of S.B. 215. 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 Small, Minority and Women-Owned Business Account (“SMWOBA”) in the Department of Commerce. In addition, MMG manages the Maryland Small Business Development Financing Authority (“MSBDFA”) for the Department of Commerce. In total, our professional staff has over 150 years of experience providing financing and specialized training to small, minority and women-owned businesses in the State of Maryland.

S.B. 215 allows fund managers to provide financial assistance in the form of grants of up to \$10,000, to support small, minority and women-owned businesses that receive loans from any one of the fund managers. MMG is in support of this provision, believing that it will assist in providing much needed working capital to the recipients of loans.