

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 245

(Senator Kagan)

Budget and Taxation

Ways and Means

**Maryland Nonprofit Development Center Program – Nonprofit, Interest-Free,
 Micro Bridge Loan (NIMBL) Account – Funding**

This bill requires the Governor to include a \$1.0 million appropriation in the annual budget bill for fiscal 2023 to the Maryland Nonprofit Development Center Program Fund (MNDCPF) to be used for loans under the Nonprofit Interest-Free, Micro Bridge Loan (NIMBL) account. If the appropriation is not included in the fiscal 2023 budget, then the Governor must include it in the fiscal 2024 budget. The bill repeals the discretionary distribution of up to 5.0% of Small, Minority, and Women-Owned Businesses Account (SMWOBA) funds, not to exceed \$1.0 million annually, to the NIMBL account. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: Under one set of assumptions, general fund expenditures for the Department of Commerce increase by \$1.0 million in FY 2023; special fund revenues and expenditures increase by \$1.0 million in FY 2023 and, to the extent more loans and loan repayments occur, further increase beginning as early as FY 2023. **This bill may establish a mandated appropriation for FY 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$1.0	-	-	-	-
GF Expenditure	\$1.0	\$0	\$0	\$0	\$0
SF Expenditure	\$1.0	-	-	-	-
Net Effect	(\$1.0)	\$0.0	\$0.0	\$0.0	\$0.0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law:

Maryland Nonprofit Development Center Program and Fund

The Maryland Nonprofit Development Center Program within Commerce is charged with assisting the economic growth and revitalization of nonprofit entities in the State. The program must do so by providing (1) grants for training and technical assistance services and (2) bridge loans to nonprofit entities that have received written confirmation of funding from government grants or contracts but have not yet received the funding.

The program operates out of MNDCPF. The NIMBL account within that fund is used to provide no-interest bridge loans of up to \$25,000 to eligible nonprofit entities, subject to specified requirements. In addition to other sources, the account consists of money received from discretionary SMWOBA transfers up to 5.0% of SMWOBA funds received from video lottery terminal (VLT) proceeds, capped at \$1.0 million, each fiscal year. When the NIMBL account balance reaches \$1.0 million, any money in excess of that amount must be transferred to SMWOBA.

Small, Minority, and Women-Owned Businesses Account

The distribution of VLT proceeds differs by each video lottery facility. However, a small percentage of gross VLT proceeds is distributed to SMWOBA each fiscal year to provide investment capital and loans to small, minority, and women-owned businesses in the State.

Grants from SMWOBA go to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. Fund managers must allocate at least 50% of available funds to eligible businesses in the jurisdictions and communities surrounding the State's video lottery facilities.

State Fiscal Effect: The Governor must include an appropriation of \$1.0 million to MNDCPF in Commerce in fiscal 2023, to be used for loans made under the NIMBL account. Thus, this analysis assumes general fund expenditures and special fund revenues and expenditures increase by \$1.0 million in fiscal 2023. However, if the Governor does not include the appropriation in the fiscal 2023 budget bill, then general fund expenditures and special fund revenues and expenditures increase by \$1.0 million in fiscal 2024 instead. Special fund revenues and expenditures may further increase, beginning as early as fiscal 2023 (or 2024), as the loans made with the additional NIMBL funds are repaid and that revenue is used to make additional loans. Any such effect is likely delayed, however.

Commerce can administer these funds with existing resources since the bill repeals the distribution of up to 5.0% of SMWOBA funds, not to exceed \$1.0 million annually, to the NIMBL account beginning in fiscal 2023. SMWOBA's allocation of VLT revenue is projected to be approximately \$19.3 million in fiscal 2023 and more than \$20.0 million going forward. Thus, special fund revenues for the NIMBL account in MNDCPF from SMWOBA transfers decrease by up to \$967,100 in fiscal 2023 and by up to \$1.0 million annually thereafter. However, the actual fiscal effect is likely significantly less since the distribution of up to 5% of SMWOBA funds is discretionary under current law, and the fund has historically received less than the maximum amount. The program's fiscal 2023 budget is \$187,500, and Commerce advises that demand for the program typically ranges from \$100,000 to \$300,000 annually. This analysis assumes any existing budgeted amount for fiscal 2023 is not affected. Alternatively, if the \$1.0 million appropriation is delayed to fiscal 2024 and the current planned funding is not provided, the NIMBL account is not capitalized with an appropriation in fiscal 2023.

Funds in excess of \$1.0 million in the NIMBL account must be transferred to SMWOBA; this analysis assumes the fund balance is depleted by the end of fiscal 2022 so no funds are transferred to SMWOBA. However, to the extent that the NIMBL account exceeds \$1.0 million in fiscal 2023, any money in excess of that amount will be transferred to SMWOBA.

The Department of Legislative Services also notes that, since the funding required under the bill is directed to a nonlapsing special fund, special fund expenditures, totaling \$1.0 million, may be extended over several years.

Small Business Effect: Eligible fund managers provide investment capital and loans to small, minority, and women-owned businesses in the State with funds from SMWOBA. By repealing the discretionary distribution from SMWOBA, SMWOBA funds increase by up to \$967,100 in fiscal 2023 and by up to \$1.0 million annually thereafter, though as mentioned above, the actual effect may be significantly less. Thus, some small businesses may receive more in SMWOBA funds.

Additional Comments: Nonprofits are not considered small businesses for purposes of fiscal and policy notes; however, small nonprofits benefit from additional funding available under the NIMBL program.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 256 (Delegate Forbes) - Ways and Means.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Budget and Management; Department of Legislative Services

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Analysis by: Heather N. MacDonagh

Direct Inquiries to:
(410) 946-5510
(301) 970-5510