

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 53

(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 2024 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 2024 budget bill, then the Governor must include it in the fiscal 2025 budget bill. 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, 2023.**

Fiscal Summary

State Effect: No effect in FY 2024. General fund expenditures for the Department of Commerce increase by \$1.0 million in FY 2025. Special fund revenues and expenditures increase correspondingly as funds are received and used for authorized purposes in FY 2025 and increase beginning as early as FY 2026 as loans are repaid and new loans are issued. **This bill establishes a mandated appropriation for FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$1.0	-	-	-
GF Expenditure	\$0	\$1.0	\$0	\$0	\$0
SF Expenditure	\$0	\$1.0	-	-	-
Net Effect	\$0.0	(\$1.0)	\$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: Potential meaningful.

Analysis

Current Law: 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 SMWOBA transfers: up to 5.0% of SMWOBA funds received from 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.

Video Lottery Terminal Proceeds

The distribution of video lottery terminal (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 bill specifies that the Governor must include an appropriation of \$1.0 million to MNDCPF for fiscal 2024 in the annual budget bill to be used for loans made under the NIMBL account. If the appropriation is not included in the fiscal 2024 budget bill, then the Governor must include it in the fiscal 2025 budget bill. As legislation enacted in the 2023 session cannot mandate funding until fiscal 2025, funding in the fiscal 2024 budget bill would have been discretionary. Nevertheless, the fiscal 2024 budget as passed by the General Assembly does not include such an appropriation to MNDCPF, which means that the Governor must include the funding in the fiscal 2025 budget bill. This estimate assumes funding is provided for fiscal 2025, and not as a fiscal 2024 deficiency appropriation.

Accordingly, general fund expenditures for Commerce increase by \$1.0 million in fiscal 2025. Special fund revenues and expenditures for MNDCPF increase correspondingly as funds are received and used to provide loans under NIMBL. While this estimate assumes funds are expended in the year they are received, actual expenditures

may occur over several years. Commerce advises that program demand has historically ranged from \$100,000 to \$300,000 per year.

Special fund revenues and expenditures further increase beginning as early as fiscal 2026 as loans made with the additional NIMBL funds are repaid and that revenue is used to make additional loans. Commerce can administer these funds with existing resources, although a substantial and permanent increase in loan volume would require an additional staff, paid for with general funds.

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 2024 so no funds are transferred. However, to the extent that the NIMBL account exceeds \$1.0 million in any fiscal year, excess funds are transferred to SMWOBA. Transfers, if any, will depend on the timing of the funding provided under the bill and the loans issued and repaid under NIMBL.

The bill repeals the discretionary distribution of up to 5.0% of SMWOBA funds, not to exceed \$1.0 million annually, to the NIMBL account beginning in fiscal 2024. SMWOBA's allocation of VLT revenue is projected to be more than \$20.0 million in fiscal 2024 and thereafter. Repealing this provision is likely to have little practical effect, since the NIMBL account has historically received minimal funding through the distribution. Still, special fund revenues for the NIMBL account decrease by *up to* \$1.0 million annually beginning in fiscal 2024.

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* \$1.0 million in fiscal 2024 and thereafter, though as described above, the actual effect is likely significantly less. Funds in excess of \$1.0 million in NIMBL must also be transferred to SMWOBA, which is a possibility due to the mandated appropriation under the bill. Therefore, some small businesses may receive additional SMWOBA funds beginning as early as fiscal 2024.

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: Similar legislation has been introduced within the last three years. See SB 245 and HB 256 of 2022 and SB 376 of 2021.

Designated Cross File: HB 84 (Delegate Forbes) - Ways and Means.

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

Fiscal Note History: First Reader - January 16, 2023
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