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Boyd Rutherford | Lt. Governor  
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**DATE:** January 26, 2022  
**BILL NO:** House Bill 158  
**BILL TITLE:** Maryland New Start Act of 2022  
**COMMITTEE:** House Ways and Means

## Statement of Information

House Bill 158 would establish a new Maryland New Start Pilot Program (Program) within the Department of Commerce (Commerce) with a purpose of:

- Providing multi-year grants to at least five eligible organizations with the purpose of providing technical assistance to “covered individuals” who have been convicted of criminal offences and completed a term of imprisonment in federal prison or a state or local correctional facility. Eligible organizations will be required to contribute an amount equal to 25% of the amount of the grant from existing or new non-state resources. The contracts to eligible vendors shall be for a period of five years. Additionally, Commerce may not award more than 20% of the funds appropriated in the grant; and
- Establishing a loan program in Commerce to provide loans up to \$50,000 to “covered individuals” without requiring collateral (unsecured). Referrals for these loans would originate from those organizations that have received grants under the Program.

Commerce would oversee this Program and establish additional eligibility and application requirements as well as priorities for assistance under the Program and be required to submit a report on the operation and performance of the Program. Commerce would also manage and supervise the Maryland New Start Pilot Program Fund (Fund). The Fund is a special, nonlapsing fund that is not subject to the State Finance and Procurement Article. This bill does not provide any revenue streams, nor does it guarantee an annual budget or funding for the Program. The Fund would consist of:

- Money appropriated by the State budget to the Fund;
- Repayments of loans made through the Program;
- Any interest earnings of the Fund; and
- Any other money from any other source accepted for the benefit of the Fund.

## Estimated Fiscal Impact on Commerce:

Under the assumption that the Fund revenue received in a fiscal year is allocated for the Program under this Act in that fiscal year, there is no set special fund expenditures from the Fund annually from FY 2024 through FY 2028. Of that amount, approximately 90% annually is for distribution to listed entities and the remaining balance is for Commerce administrative costs.

Commerce estimates that the Program would require an appropriation of at least \$500,000 (\$100,000 to five organizations). This estimate is based on Commerce’s grant with the Maryland Nonprofit Center, which provides technical assistance to individuals in the nonprofit sector.

Similarly, Commerce has a small loan program that provides unsecured loans to nonprofits up to \$25,000. However, repayment is based upon a pending government grant or contract. Additionally, Commerce has another small loan program that provides up to \$50,000 and has \$300,000 in annual appropriation. However, the loans in this program are secured by collateral and borrowers have secondary sources of cash flow to repay the loan. House Bill 158 requires loans made under the Program be unsecured. Furthermore, it is difficult to determine the amount of funding demand for this type of program, as Commerce does not have the level of expertise in this area to determine the demand from this population for small business capital resources.

Commerce is required to administer the Program and currently does not have available staff to do so. The creation of a program such as this will require additional staff, outreach, meetings, and overall, more administrative costs. Due to the type of program, two additional employees would need to be hired to oversee the administration of the grant. These employees would be employed within the Division of Finance and would be a Program Manager and a Fund Administrator, focused on assisting the director with grant agreements, disbursements, reporting requirements, meeting with the business community, and fulfilling all additional duties and tasks that are needed to effectively administer the program. This program would be a full-time role, but Commerce does not currently have staff or resources to dedicate someone full-time to this program.

**Additional Information:**

The Maryland Department of Labor's (MD Labor) Division of Workforce Development and Adult Learning (DWDAL) has a Maryland Re-Entry Initiative (Initiative) designed to assist individuals with criminal backgrounds by increasing their employability and providing equal opportunity and access to employment resources. The Initiative provides employment assistance, technical assistance and professional development to government and community-based organizations, and information and incentives to businesses. Additionally, MD Labor will be starting an eight week Entrepreneurship Training at two prisons in Jessup in February.

Commerce recognizes the importance of supporting re-entry initiatives, nonprofits, and entrepreneurial development and activities. Commerce has made it a priority to work with this community to come up with solutions to best assist the community, without duplicating current efforts and programs provided by the State.