



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
R. Michael Gill | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

October 1, 2022

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Ben Barnes
Chairman, House Appropriations Committee
House Office Building, Room 121
Annapolis, MD 21401-1991

**RE: Report on Marketing of the Small, Minority, and Women-Owned Businesses
Account– 2022 JCR, Page 208**

Dear Chairmen Guzzone and Barnes:

In accordance with Page 208 of the 2022 Joint Chairmen's Report, the Maryland Department of Commerce (Commerce) is pleased to present the Report on Marketing of the Small, Minority, and Women-Owned Businesses Account. This report includes actions taken by Commerce to promote the program. I look forward to your review of the report and will be pleased to respond to any questions. If my staff can be of further assistance, or if you have any questions regarding this report, please feel free to contact me at 410-767-6301.

Sincerely,

DocuSigned by:
Mike Gill
A6F1BEA68484B2
R. Michael Gill
Secretary

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, House Appropriations Committee
Emily Haskel, Department of Legislative Services



Report on Marketing of the Small, Minority, and Women-Owned Businesses Account

Submitted by:

Maryland Department of Commerce

October 2022

Introduction

The 2022 Joint Chairmen's Report requires the Maryland Department of Commerce (Commerce) to submit a report detailing how Commerce conducts outreach and marketing for the Small, Minority, and Women-Owned Business Account (SMWOBA). The report is required to include actions taken by Commerce to promote the program and increase awareness among eligible businesses, detailed budget for Commerce marketing activities related to the SMWOBA program, and any funding needs above the current budgeted amount that the Commerce believes would be necessary to increase participation in 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 (SMWOBA or the Account) under the Authority of the Board of Public Works (BPW).¹

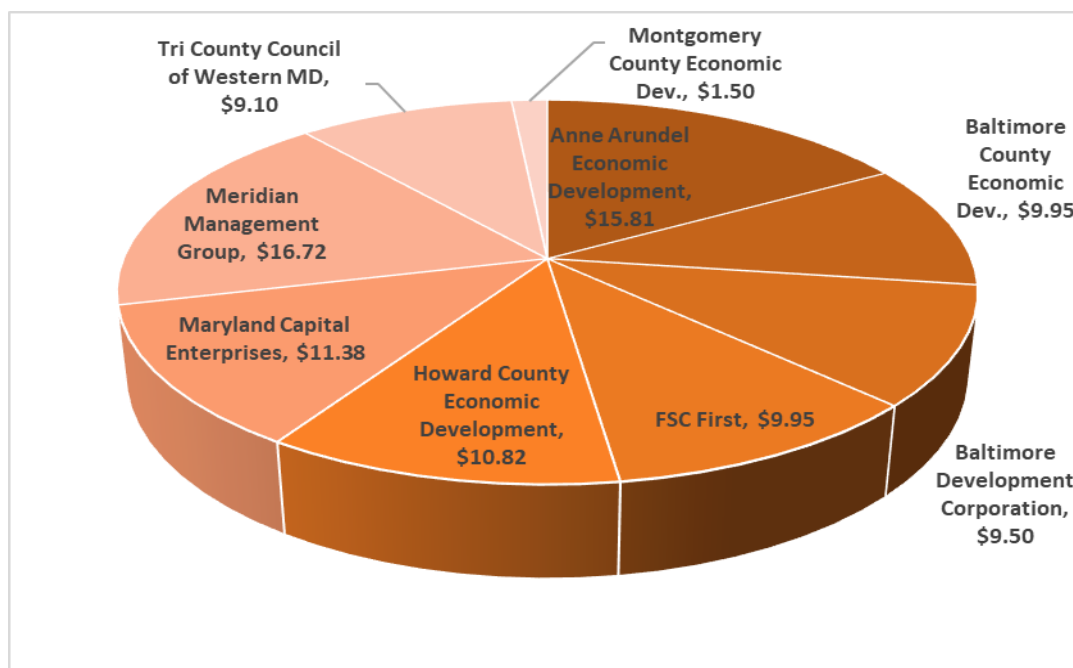
State Government Article §9-1A-27 requires that 1.5 percent of the proceeds from VLTs at each video lottery facility be paid into the Account. State Government Article §9-1A-35 requires BPW to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned 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 the Department of Commerce (Commerce), to manage the Account on their behalf, through a Memorandum of Understanding dated August 22, 2012. However, in May 2017 Governor Hogan approved Chapter 453, Acts of 2017, which transferred authority over the program from BPW to Commerce.

Licenses were awarded to operate VLT casinos in Cecil, Worcester, Anne Arundel, Allegany, and Prince George's Counties as well as Baltimore City. The casinos in Cecil, Worcester, and Anne Arundel Counties began VLT gaming operations on September 27, 2010, January 4, 2011, and June 6, 2012, respectively. VLT gaming operations opened in Allegany County at the Rocky Gap Resort in May of 2013. The Baltimore VLT facility opened in August of 2014. National Harbor in Prince George's County opened in December of 2016. The Account began receiving funds during fiscal year 2011 when the first VLT facility began gaming operations.

There are currently nine fund managers. Total award funds since inception of SMWOBA is \$94.7 million.

Awards are as follows²:

¹ See also State Government Article §9-1A-35



*Amounts in Millions

Summary of Program Performance

Since inception of the SMWOBA, the fund managers have approved 1,027 transactions totaling \$108 million and 544 transactions settled³ totaling \$89.9 million. These loans are expected to create and retain 10,182 jobs, while leveraging other private sector funds of 203.7 million. Principal payments returned back to the fund manager for relending totaled \$56.6 million.

This funding has supported 287 minority owned businesses, 336 women-owned businesses, 39 veteran owned businesses, and 253 non-minority small businesses. Over 75% of SMWOBA funds have been utilized in the targeted areas and dispersed across the State.

The following chart shows more detailed activity by Fund Manager.

³ Settled means there is a signed legal agreement between the business and the Fund Manager.

Fund Manager	# Approved Since Inception	Amount Approved	Private Sector Dollars Leveraged	New Jobs	At Risk/Retained Jobs
Anne Arundel County Economic Development	184	\$20,141,595.00	\$50,604,418.00	920	1331
Baltimore County Economic Development	63	\$10,005,800.00	\$41,802,000.00	406	641
Baltimore Development Corporation	85	\$9,611,500.00	\$34,514,675.00	522	1073
FSC First	45	\$4,850,000.00	\$34,512,149.00	303	237
Howard County Economic Development	90	\$16,038,400.00	\$33,323,258.00	860	1011
Maryland Capital Enterprise	277	\$12,262,629.88	\$0.00	404	841
Meridian Management Group	222	\$27,052,632.00	\$11,373,814.00	954	1806
Tri County Council of Western MD	61	\$8,097,752.00	\$18,675,012.00	252	298
Since Inception	1027	\$108,060,308.88	\$224,805,326.00	4,621	7,238

Fund Manager	# Settled Since Inception	Amount Settled	Private Sector Dollars Leveraged	New Jobs	At Risk/Retained Jobs
Anne Arundel County Economic Development	165	\$16,830,152	\$41,401,884	767	1251
Baltimore County Economic Development	54	\$7,435,800	\$36,616,000	371	565
Baltimore Development Corporation	83	\$9,545,000	\$33,625,675	519	1075
FSC First	36	\$3,576,000	\$30,953,442	224	211
Howard County Economic Development	79	\$13,873,400	\$36,388,255	788	831
Maryland Capital Enterprise	269	\$11,692,630	\$0	360	795
Meridian Management Group	174	\$19,982,866	\$9,906,608	623	1378
Tri County Council of Western MD	55	\$6,977,652	\$14,848,412	179	245
Since Inception	915	\$89,913,500	\$203,740,276	3,831	6,351

Commerce Marketing and Outreach

Commerce markets all of its programs utilizing agency marketing and communications staff and resources, as well as through the Department's Business and Industry Sector Development staff. While Commerce does not have a specific budget for marketing programs separately, it does assist with marketing SMWOBA online, primarily through the open.maryland.gov website, which attracts millions of visitors annually. Visitors can explore SMWOBA programs through the site's resources section. Specific funding programs are also featured regularly on the site's news/blog section. Commerce also uses social media and email marketing to promote funding programs, and has integrated funding-related keywords into our Google search campaigns targeting in-state businesses.

SMWOBA is also a part of the Commerce toolbox of business assistance that Commerce's regional business development representatives offer when they are out meeting and talking with businesses. The regional team assesses each expansion or retention prospect they are involved in as a potential candidate for SMWOBA. As appropriate, the regional representatives explain the program to these businesses and make connections to fund managers. The regional team also works closely with the economic development organization in each county to coordinate on such deals. Commerce has developed its own program brochure that highlights each fund manager's program, terms, and conditions. Brochures are on hand when Commerce staff are meeting with businesses or participating in trade shows or networking events. These outreach efforts coincide with the strategic plan developed in fiscal year 2019 that included a statewide outreach strategy. Commerce meets with the Fund Managers annually to discuss new strategies for promoting the program. Prior to the pandemic Commerce coordinated quarterly with its Marketing and

Communications unit and the Fund Managers to promote SMWOBA success stories. Commerce will begin this process again starting September 30, 2022. Commerce will also begin updating its SMWOBA brochure to include its newest Fund Manager, Montgomery County Economic Development Corporation.

Fund Manager Outreach

The fund managers have very robust outreach activities that include promotions across multiple social media platforms, including blog posts and podcasts. Additionally, they have strong relationships with their local Chambers of Commerce and financial institutions. One fund manager recently hired a minority owned business to design marketing materials for the program paired with broadcast and online media outlets. Referrals are another source of outreach. One fund manager has made connections with local accounting firms that resulted in three loans. Fund managers also participate and sponsor workshops and seminars in partnership with local, state, and federal agencies. The SMWOBA program and fund managers have an excellent reputation in the small business community. Commerce tracks SMWOBA and fund manager success by conducting an annual survey. Results for the fiscal year 2022 survey showed that 80% of those surveyed responded that the loan was helpful for growing its business, and 80% responded that they were satisfied with the service they received from their fund manager.

Fiscal Year 2023 Funds

On average, the fund managers approve about \$10 million in loans each year. This year's budget includes \$19 million in new SMWOBA funds. Commerce will be advertising a Request for Proposals for up to three new fund managers. Funding for the program is more than sufficient. The challenge now is the capacity to deploy the continued level of funding. This will require additional Fund Managers.

Impact of COVID

Commerce had several meetings with the fund managers at the beginning of the pandemic to discuss how best to assist businesses in the SMWOBA portfolio during this time. Lending activity nearly came to a halt as businesses closed due to the pandemic. Commerce and the fund managers agreed that terms needed to be modified to help the existing businesses in the portfolio to stay afloat. Businesses were offered up to 6-months in payment and interest deferments. As the economy slowly begins to recover, these businesses will need access to capital with flexible terms to survive.

Conclusion

The SMWOBA program is an excellent example of how to assist small and minority businesses with access to capital. The program has gained national recognition and was awarded Program of the Year by the Council of Development Finance Agencies⁴. SMWOBA is going to be an important resource for Commerce as demand for capital increases once the COVID pandemic

⁴ Council of Development Finance Agencies is a national association dedicated to the advancement of development finance <https://www.cdfa.net/>

comes to an end. Continued funding of this program is critical to its success and to the success of Maryland's small, and minority businesses.