

# SENATE BILL 465

C8, C7

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CF 7lr3001

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By: Senators Kagan, Astle, Bates, Benson, Cassilly, Conway, Currie, DeGrange, Eckardt, Edwards, Feldman, Ferguson, Guzzone, Hershey, Hough, Jennings, Kelley, King, Klausmeier, Lee, Madaleno, Manno, Mathias, McFadden, Middleton, Miller, Muse, Nathan–Pulliam, Norman, Peters, Pinsky, Ramirez, Ready, Reilly, Robinson, Rosapepe, Salling, Serafini, Simonaire, Smith, Waugh, Young, Zirkin, and Zucker

Introduced and read first time: January 30, 2017

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Nonprofit Development Center Program and Fund – Bridge Loans**

3 FOR the purpose of renaming the Maryland Not–For–Profit Development Center Program  
4 and the Maryland Not–For–Profit Development Center Program Fund to be the  
5 Maryland Nonprofit Development Center Program and the Maryland Nonprofit  
6 Development Center Program Fund; expanding the scope of the Program to include  
7 bridge loans for certain nonprofit entities; expanding the Fund to include certain  
8 proceeds of video lottery terminals; requiring certain money in the Fund to be  
9 transferred to the Education Trust Fund under certain circumstances; authorizing  
10 the Department of Commerce to provide a certain bridge loan under certain  
11 circumstances; requiring the Department to establish a certain application process  
12 and receive a certain written confirmation before providing a bridge loan; requiring  
13 a bridge loan to be repaid within a certain period of time; requiring the Comptroller  
14 to pay a certain amount from the proceeds of certain video lottery terminals to the  
15 Fund; requiring the Department to report to the Governor and the General Assembly  
16 on or before a certain date on certain matters; altering certain definitions; making  
17 certain conforming changes; and generally relating to the Maryland Nonprofit  
18 Development Center Program.

19 BY repealing and reenacting, with amendments,  
20 Article – Economic Development  
21 Section 5–1201 through 5–1205 to be under the amended subtitle “Subtitle 12.  
22 Maryland Nonprofit Development Center Program”  
23 Annotated Code of Maryland  
24 (2008 Volume and 2016 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



BY repealing and reenacting, with amendments,  
Article – State Government  
Section 9–1A–27(a)  
Annotated Code of Maryland  
(2014 Replacement Volume and 2016 Supplement)

BY repealing and reenacting, without amendments,  
Article – State Government  
Section 9–1A–27(b) and (c)  
Annotated Code of Maryland  
(2014 Replacement Volume and 2016 Supplement)

### Preamble

WHEREAS, The nonprofit sector provides vital services to our community, including affordable housing, job training, child development, and public health, without which the government would have to foot the bill; and

WHEREAS, One in ten Maryland workers is employed by the nonprofit sector; and

WHEREAS, According to a report by Maryland Nonprofits and the Center for Nonprofit Advancement, 37 percent of nonprofit entities in the State saw an increased demand in their services and half of those nonprofit entities were unable to meet the increased demand; and

WHEREAS, Nonprofit entities disproportionately employ, are led by, and benefit marginalized groups, including minorities and women; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
That the Laws of Maryland read as follows:

### Article – Economic Development

Subtitle 12. Maryland [Not–For–Profit] **NONPROFIT** Development Center Program.

5–1201.

(a) In this subtitle the following words have the meanings indicated.

(b) “Fund” means the Maryland [Not–For–Profit] **NONPROFIT** Development Center Program Fund established under § 5–1204 of this subtitle.

(c) [“Not–for–profit”] **“NONPROFIT”** entity” means a corporation incorporated in the State, or otherwise qualified to do business in the State, that has been determined by the Internal Revenue Service to be exempt from taxation under § 501(c)(3), (4), or (6) of the Internal Revenue Code.

(d) “Program” means the Maryland [Not-For-Profit] **NONPROFIT** Development Center Program established under § 5–1202 of this subtitle.

(e) “Qualifying [not-for-profit] **NONPROFIT** entity” means a [not-for-profit] **NONPROFIT** entity:

(1) that has annual revenues not greater than \$750,000;

(2) that has been in existence for not more than 10 years; and

(3) whose principal purpose is providing health, education, environmental, agricultural, or social services through community-based programs.

5–1202.

(a) There is a Maryland [Not-For-Profit] **NONPROFIT** Development Center Program in the Department.

(b) The Program shall foster, support, and assist the economic growth and revitalization of qualifying [not-for-profit] **NONPROFIT** entities in the State by providing training and technical assistance services **AND BRIDGE LOANS TO NONPROFIT ENTITIES WAITING TO RECEIVE THE FUNDING FROM GOVERNMENT GRANTS OR CONTRACTS.**

5–1203.

The Program shall provide assistance to qualifying [not-for-profit] **NONPROFIT** entities, including:

(1) operation of an information exchange governing current and new technical information and data about all aspects of [not-for-profit] **NONPROFIT** management, including:

(i) [not-for-profit] **NONPROFIT** start-up;

(ii) budgeting and financial management;

(iii) facilities development and management;

(iv) board development;

(v) organizational development and strategic planning;

(vi) marketing;

(vii) federal and State contracting and grant making;

(viii) individual, corporate, and foundation fund-raising;

(ix) volunteer management;

(x) personnel management;

(xi) federal and State tax law and regulations;

(xii) federal and State law and regulations governing charitable solicitations;

(xiii) federal and State regulations applicable to licensing or accreditation;

(xiv) federal and State financing programs; and

(xv) information technology; and

(2) individual consultation and technical assistance to any qualifying [not-for-profit] **NONPROFIT** entity that requests the service, including assistance on any of the subjects identified in item (1) of this section.

5-1204.

(a) (1) There is a Maryland [Not-For-Profit] **NONPROFIT** Development Center Program Fund in the Department.

(2) The Fund is a special, nonlapsing fund that is not subject to reversion under § 7-302 of the State Finance and Procurement Article.

(3) The Fund consists of:

(i) money appropriated in the State budget to the Fund; [and]

(ii) **MONEY RECEIVED UNDER § 9-1A-27 OF THE STATE GOVERNMENT ARTICLE; AND**

**(III)** all other money accepted for the benefit of the Fund, including an additional \$50 fee to be paid for the processing of articles of incorporation of a nonstock corporation in accordance with § 1-203 of the Corporations and Associations Article.

(b) (1) The purpose of the Fund is to provide grant money **AND BRIDGE LOANS** to support the operations of the Program consistent with this subtitle.

(2) As provided in the State budget, the Fund also may be used by the Department of General Services to evaluate the participation of [not-for-profit] NONPROFIT entities in State procurement.

**(C) WHEN THE FUND REACHES \$1,000,000, ANY MONEY IN EXCESS OF THAT AMOUNT SHALL BE TRANSFERRED TO THE EDUCATION TRUST FUND ESTABLISHED UNDER § 9-1A-30 OF THE STATE GOVERNMENT ARTICLE.**

5-1205.

(a) The Department shall designate at least one private [not-for-profit] NONPROFIT entity to receive grants from the Maryland [Not-For-Profit] NONPROFIT Development Center Program Fund to implement the Program.

(b) In selecting a designee, the Department shall consider and give priority to organizations that:

(1) have experience in providing the scope of assistance and services required under § 5-1203 of this subtitle to qualifying [not-for-profit] NONPROFIT entities in the State;

(2) demonstrate the capacity to provide the assistance and services required under § 5-1203 of this subtitle on a statewide basis; and

(3) demonstrate current expenditures that:

(i) are equal to at least three times the amount of funding received under this section; and

(ii) have been received from other sources for the provision of assistance and services of the type required under § 5-1203 of this subtitle to [not-for-profit] NONPROFIT entities in the State.

**(C) (1) THE DEPARTMENT MAY PROVIDE A NO-INTEREST BRIDGE LOAN OF UP TO \$25,000 TO A NONPROFIT ENTITY THAT IS WAITING TO RECEIVE THE FUNDING FROM A GOVERNMENT GRANT OR CONTRACT.**

**(2) THE DEPARTMENT SHALL ESTABLISH AN APPLICATION PROCESS FOR BRIDGE LOANS PROVIDED UNDER THIS SUBSECTION.**

**(3) BEFORE PROVIDING A BRIDGE LOAN UNDER THIS SUBSECTION, THE DEPARTMENT SHALL RECEIVE WRITTEN CONFIRMATION THAT THE NONPROFIT ENTITY HAS BEEN AWARDED A GOVERNMENT GRANT OR CONTRACT BUT HAS NOT YET RECEIVED THE FUNDING.**

(4) THE RECIPIENT OF A BRIDGE LOAN UNDER THIS SUBSECTION SHALL REPAY THE BRIDGE LOAN WITHIN 60 DAYS OF RECEIPT OF THE FUNDING ANTICIPATED FROM THE GOVERNMENT GRANT OR CONTRACT.

#### Article – State Government

9–1A–27.

(a) Except as provided in subsections (b) and (c) of this section and § 9–1A–26(a)(3) of this subtitle, on a properly approved transmittal prepared by the Commission, the Comptroller shall pay the following amounts from the proceeds of video lottery terminals at each video lottery facility:

(1) (i) on or before March 31, 2015, 2% to the State Lottery and Gaming Control Agency for costs as defined in § 9–1A–01 of this subtitle; and

(ii) beginning April 1, 2015, 1% to the State Lottery and Gaming Control Agency for costs as defined in § 9–1A–01 of this subtitle;

(2) to the video lottery operation licensee, the percentage stated in the accepted application for the location, not to exceed, except as provided in subsection (b) of this section, 33%;

(3) 5.5% in local impact grants, in accordance with § 9–1A–31 of this subtitle;

(4) 7% to the Purse Dedication Account established under § 9–1A–28 of this subtitle, not to exceed a total of \$100,000,000 to the Account annually;

(5) (i) until the issuance of a video lottery operation license in Baltimore City, 1.75% to the Racetrack Facility Renewal Account established under § 9–1A–29 of this subtitle and distributed in accordance with that section; and

(ii) on or after the issuance of a video lottery operation license in Baltimore City, 1% to the Racetrack Facility Renewal Account established under § 9–1A–29 of this subtitle and distributed in accordance with that section, not to exceed a total of \$20,000,000 to the Account annually;

(6) 1.5% to the Small, Minority, and Women–Owned Businesses Account established under § 9–1A–35 of this subtitle;

(7) (i) except as provided in item (ii) of this item, 6% to the video lottery operation licensee if the video lottery operation licensee owns or leases each video lottery terminal device and the associated equipment and software; and

(ii) 8% to the video lottery operation licensee in Anne Arundel County;

(8) beginning after the issuance of a video lottery operation license for a video lottery facility in Prince George's County, 8% to the video lottery operation licensee in Anne Arundel County and 7% to the licensee in Baltimore City for:

(i) marketing, advertising, and promotional costs required under § 9-1A-23 of this subtitle; and

(ii) capital improvements at the video lottery facilities; [and]

(9) **5% TO THE MARYLAND NONPROFIT DEVELOPMENT PROGRAM FUND ESTABLISHED UNDER § 5-1204 OF THE ECONOMIC DEVELOPMENT ARTICLE, NOT TO EXCEED A TOTAL OF \$1,000,000 TO THE ACCOUNT ANNUALLY; AND**

**(10)** the remainder to the Education Trust Fund established under § 9-1A-30 of this subtitle.

(b) (1) Beginning July 1, 2013, for a video lottery facility in Worcester County with less than 1,000 video lottery terminals, the percentage in subsection (a)(2) of this section is equal to 43% provided that each year an amount equivalent to 2.5% of the proceeds from video lottery terminals at the video lottery facility is spent on capital improvements at the video lottery facility.

(2) After the first 10 years of operations at a video lottery facility in Allegany County, the percentage:

(i) in subsection (a)(2) of this section is equal to 43% provided that each year an amount equivalent to 2.5% of the proceeds from video lottery terminals at the video lottery facility is spent on capital improvements at the video lottery facility; and

(ii) in subsection (a)(1) of this section is equal to 2%.

(3) For a video lottery facility in Prince George's County, the percentage in subsection (a)(2) of this section stated in the accepted application for the location may not exceed 38%.

(c) (1) For the first 10 years of operations at a video lottery facility in Allegany County, on a properly approved transmittal prepared by the Commission, the Comptroller shall pay the following amounts from the proceeds of video lottery terminals at a video lottery facility in Allegany County:

(i) 2% to the State Lottery and Gaming Control Agency for costs as defined in § 9-1A-01 of this subtitle;

(ii) to the video lottery operation licensee, the percentage stated in the accepted application for the location, not to exceed 50%;

(iii) 2.75% in local impact grants, in accordance with § 9–1A–31 of this subtitle;

(iv) 2.5% to the Purse Dedication Account established under § 9–1A–28 of this subtitle;

(v) 0.75% to the Small, Minority, and Women–Owned Businesses Account established under § 9–1A–35 of this subtitle; and

(vi) the remainder to the Education Trust Fund established under § 9–1A–30 of this subtitle.

(2) After the first 10 years of operations at a video lottery facility in Allegany County, the proceeds generated at the facility in Allegany County shall be allocated as provided in subsections (a) and (b) of this section.

SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December 31, 2020, the Department of Commerce shall report to the Governor and, in accordance with § 2–1246 of the State Government Article, the General Assembly on the bridge loans issued under the Maryland Nonprofit Development Center Program, including:

(1) the number of bridge loan applications the Department received;

(2) the number of bridge loans provided to nonprofit entities;

(3) the dollar amount of the bridge loans provided;

(4) the length of time the Department took to process bridge loan applications and award funds;

(5) the length of time between when nonprofit entities receive bridge loans and repay the bridge loans; and

(6) the availability of funds to meet bridge loan demands.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2017.