

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 920
Finance

(Senator Harris, *et al.*)

Economic Matters

**Economic Development - Small, Minority, and Women-Owned Business
Accounts - Management Fees (Small Business Increased Access to Capital Act)**

This bill allows for an additional means of covering the management and administrative costs of eligible fund managers under the Small, Minority, and Women-Owned Business Account (SMWOBA). Specifically, the bill establishes that the Department of Commerce may authorize an eligible fund manager to receive, use, and retain a management fee – calculated as a percentage of each loan made – of at least 1.5% but no more than 3% of the total loan principal. Any such authorized management fee must be paid from SMWOBA and may be retained by the eligible fund manager for administrative purposes related to lending activities; the management fee is *in addition to* monies from grants already allowed to be used by an eligible fund manager. Further, the department may establish an annual cap on the cumulative amount of management fees an eligible fund manager may receive. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: If Commerce uses the authority in the bill, it can likely do so with existing resources; otherwise, general fund expenditures may increase for oversight. Funding for SMWOBA is not affected.

Local Effect: Local revenues and expenditures may be affected beginning as early as FY 2027, as discussed below.

Small Business Effect: Minimal.

Analysis

Current Law: SMWOBA, established in 2007, is a special, nonlapsing fund that is administered by Commerce. SMWOBA is used to provide loans and grants to small, minority, and women-owned businesses in the State. A small percentage of gross video lottery terminal proceeds is distributed to SMWOBA each fiscal year.

Commerce provides grants from SMWOBA to eligible fund managers – in practice, mostly a mixture of county development corporations and private firms. The fund managers then provide loans and grants to small, minority, and women-owned businesses in the State. Generally, grants are limited to \$10,000 per recipient and, except in the case of certain disasters or emergencies, must be issued in conjunction with a loan. 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. Funds repaid to the fund managers over time do not accrue to SMWOBA – they are held by the fund managers, outside of the State budget, to be used to provide additional rounds of assistance.

The program enables fund managers to set the interest rate and any fee structure pricing on originated loans. As fund managers collect the loan payments, they are permitted to keep the interest and fees collected. A fund manager may apply for reimbursement of administrative expenses to establish their program.

Local Fiscal Effect: Many eligible fund managers for SMWOBA are local economic development entities. These fund managers *may* be authorized to receive a management fee of 1.5% to 3.0% of the total loan principal in addition to existing fees. As any such management fee must come from SMWOBA, the total amount of funding available for making loans and awarding grants is reduced, which in turn reduces the amounts available for additional rounds of assistance. *For illustrative purposes only*, as much as \$600,000 could be diverted as management fees, based on funding of approximately \$20.0 million a year.

Given the additional means of covering administrative costs, the bill may spur additional entities to become fund managers. If so, the amount of grant funding available each year to existing fund managers could be negatively affected.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 798 (Delegate Wolek) - Economic Matters.

Information Source(s): Department of Commerce; Maryland Association of Counties;
Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2026
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