

The Economic Impact of a Loan Program to Small, Minority, and Women-Owned Businesses in Maryland

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*“If it hadn’t been for [fund manager], **we all would have lost our jobs.**”*

-Recipient of VLT-Funded Loan

Small Businesses Drive the American Economy

- 99.7% of all businesses are small businesses
- 50% of workers work in small businesses



...But Not All Are Represented Equally in Business

- Women-owned businesses only account for 12% of business revenue and 15% of employment
- Minority-owned businesses only account for 12% of business revenue and 14.5% of employment

Access to Capital is Critical

- Wealth levels among white families are, on average, 11 to 16 times higher than for Hispanic and African-American families.
 - In 2011, median non-Hispanic white household had over \$111,000 in wealth
 - In 2011, median African American household had \$7,000 in wealth
- Lower wealth means a greater reliance on lending programs and angel investors for women and minority entrepreneurs

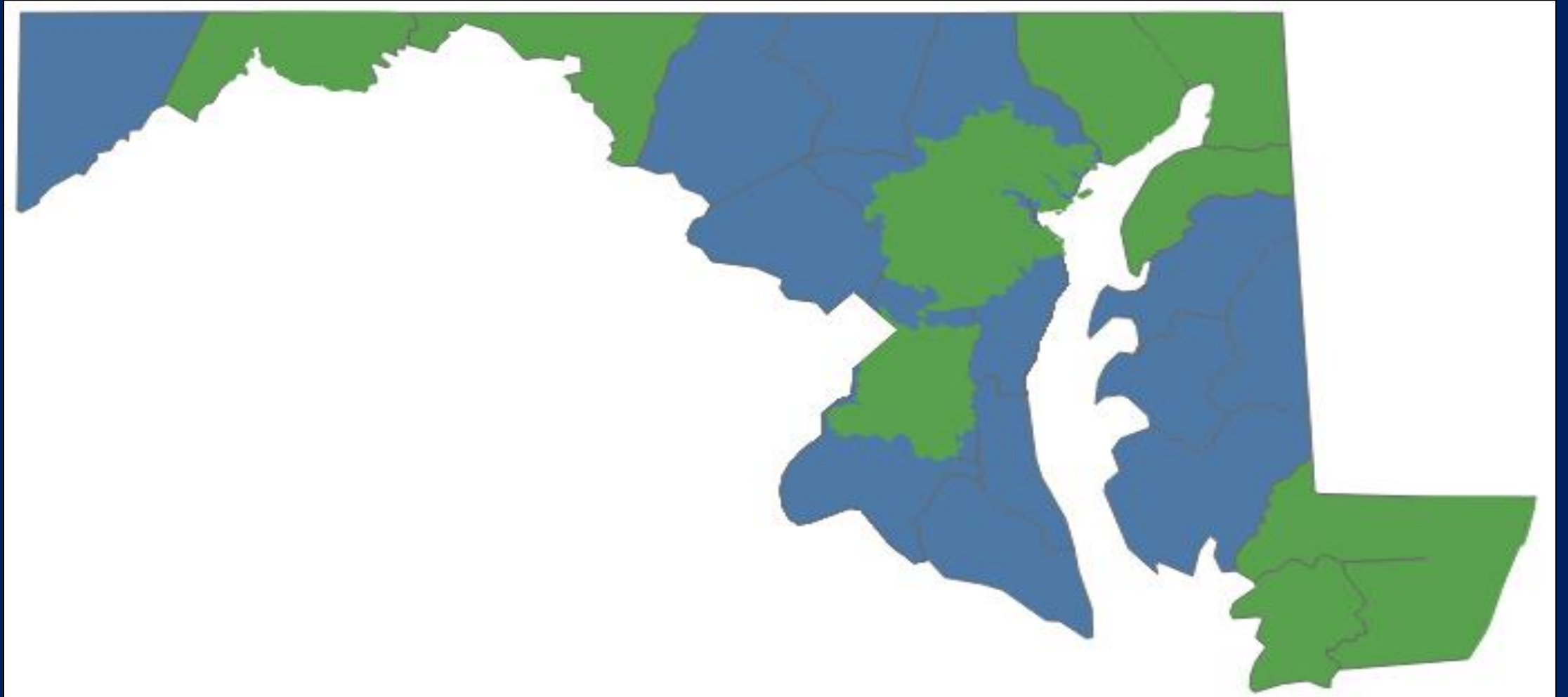
Several Programs Exist in Maryland to Provide Access to Capital to Underfunded Groups

Program Name	Targeted Group
Small, Minority, and Women-Owned Business Account - Video Lottery Terminal Fund (VLT)	Minorities, women, and all small business owners
Military Personnel and Veteran-Owned Small Business Loan Program	Active military and veterans
Maryland Small Business Development Financing Authority (MSBDFFA)	Small businesses owned by socially and economically disadvantaged persons
State Small Business Credit Initiative (SSBCI)	All small business owners

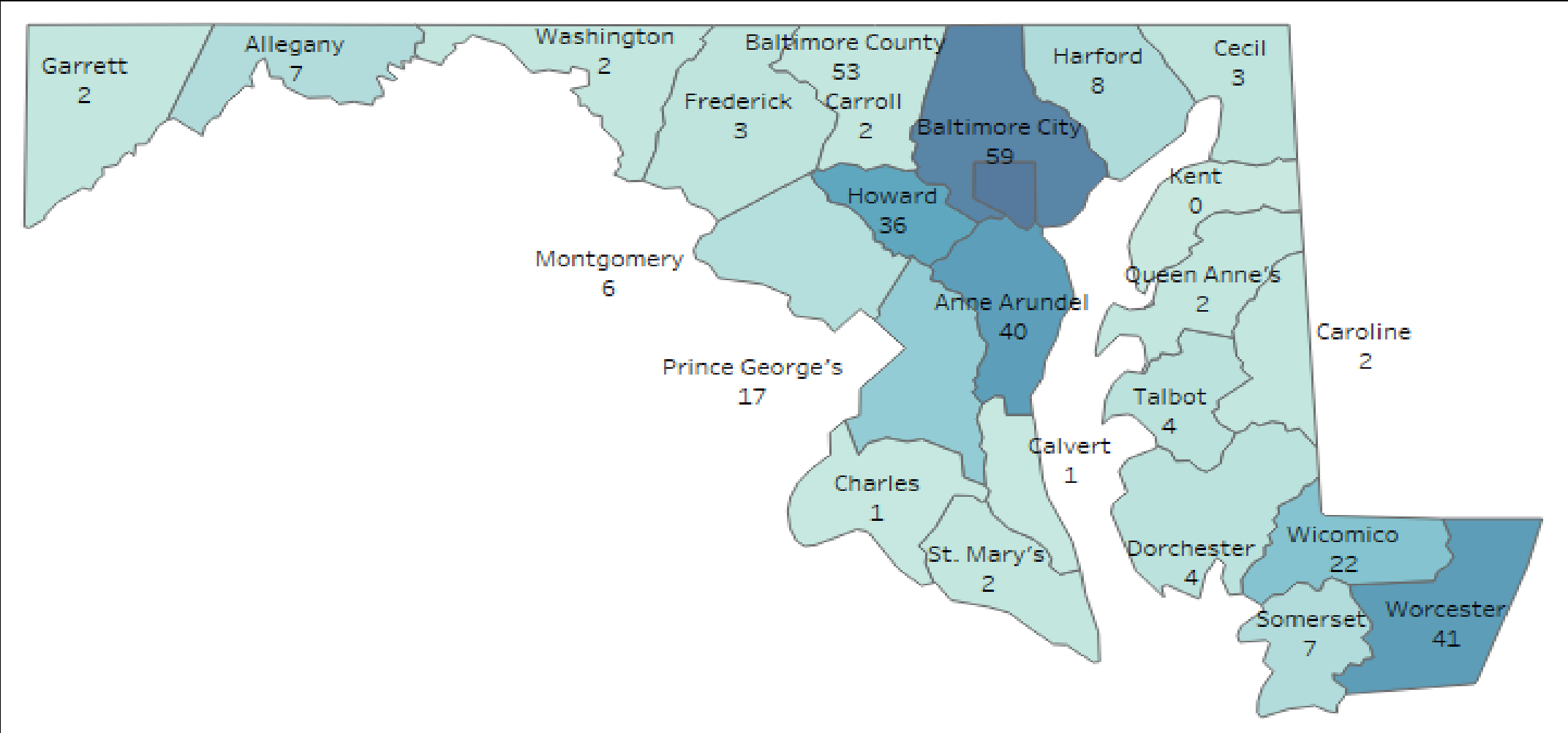
Overview of VLT-Funded Loans

- Video Lottery Terminals operate in 6 casinos in Maryland
- 1.5% of all VLT proceeds are paid into an account for small, minority-, and women-owned businesses
- Money is divided between 8 fund managers who receive money through an RFP process
- 50% of all funds must go to targeted areas around a casino

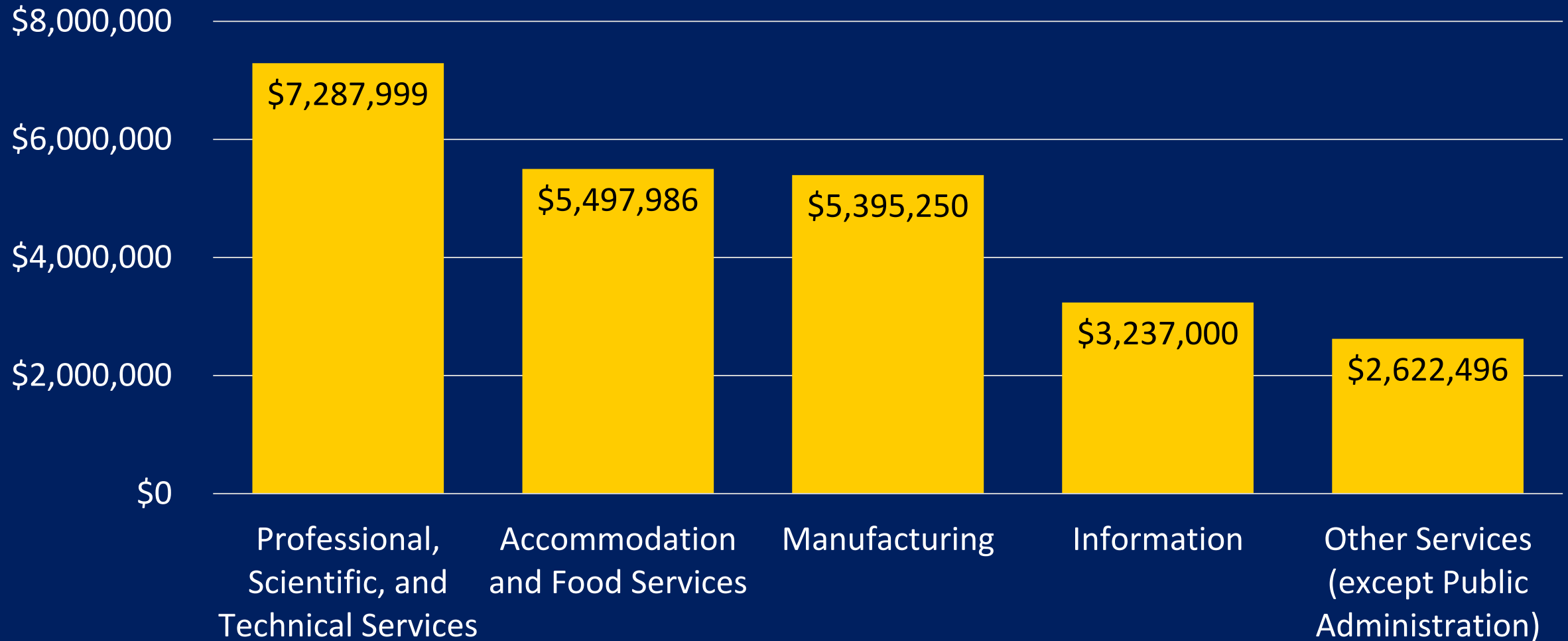
VLT Target Areas Cover Large Regions of Maryland



VLT Loans Have Been Distributed Across the State



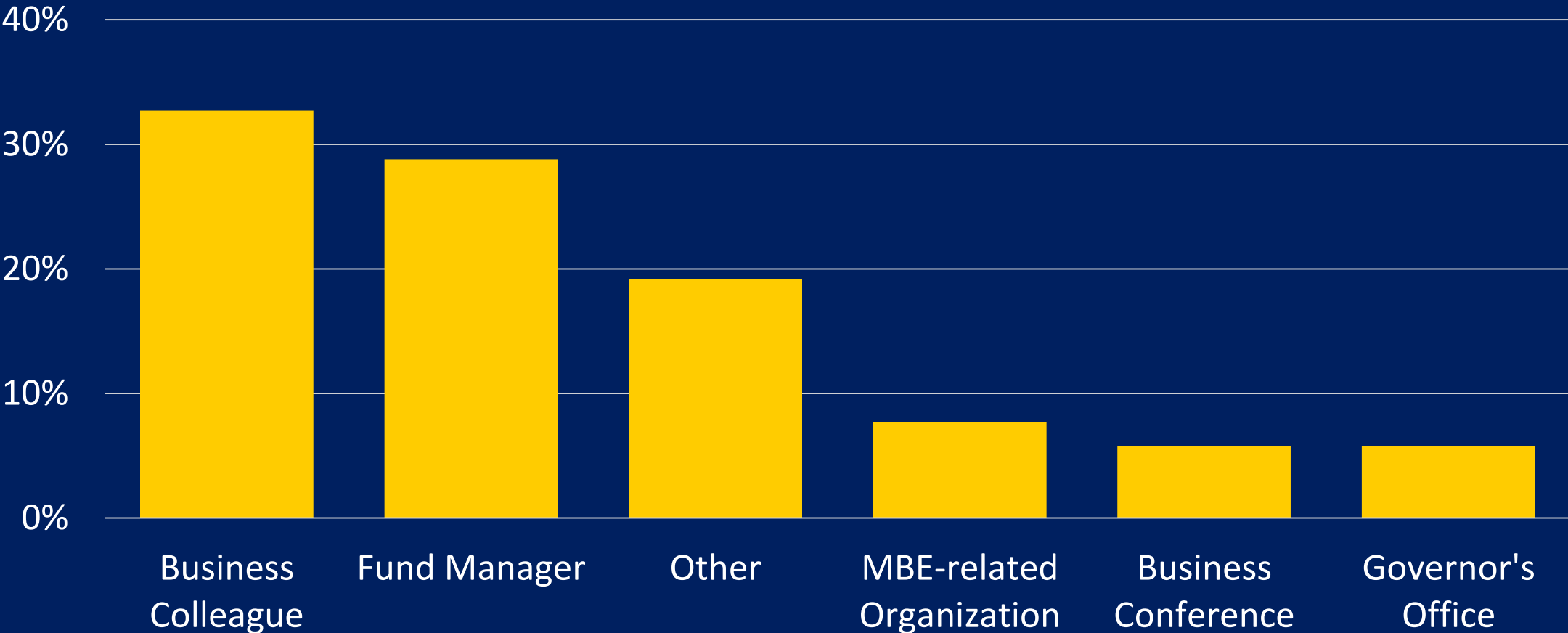
The Plurality of VLT-Funded Loans Have Been Directed to Professional and Technical Services



Study Methodology

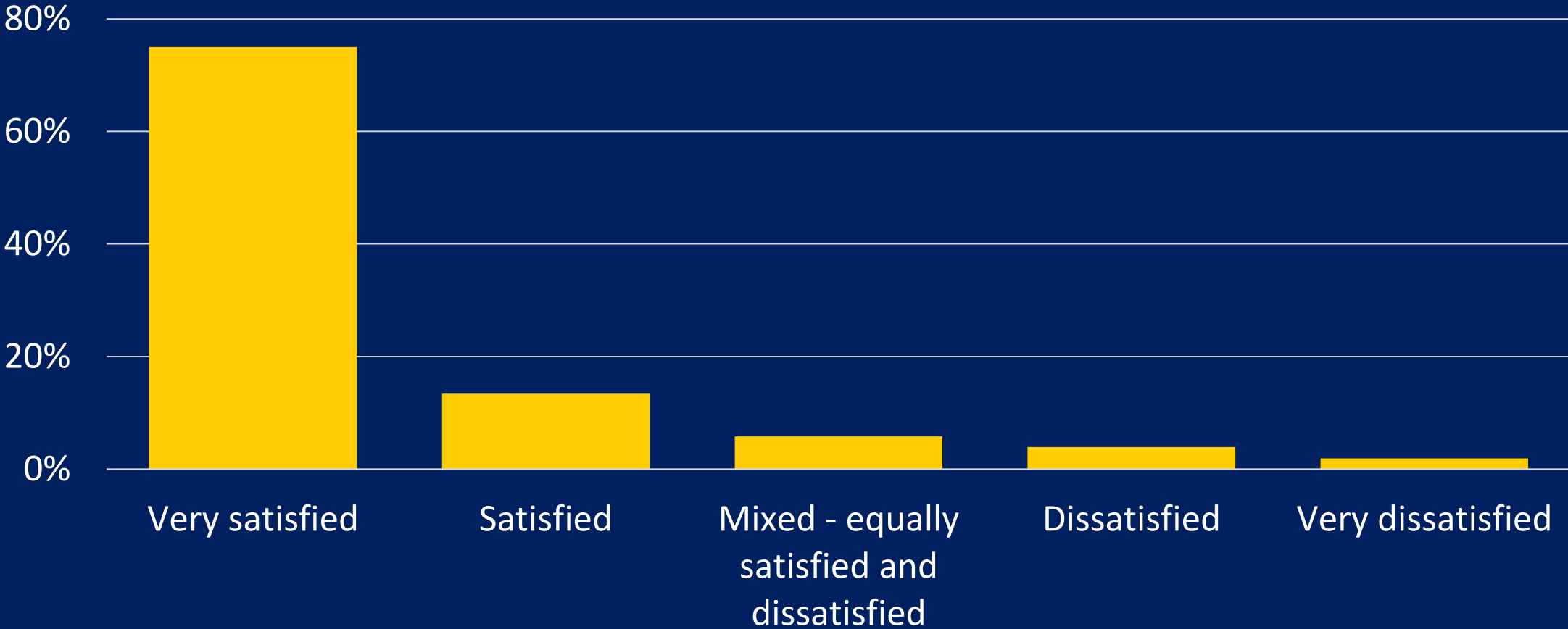
- Analyze loan data provided by Maryland Department of Commerce
- Conduct survey of all business owners who received a VLT-funded loan
- Interviews with business owners, fund managers, and economic developers
- Economic Impact Analysis of the VLT program

Most Common Way Applicants Discovered the Program Was Word of Mouth

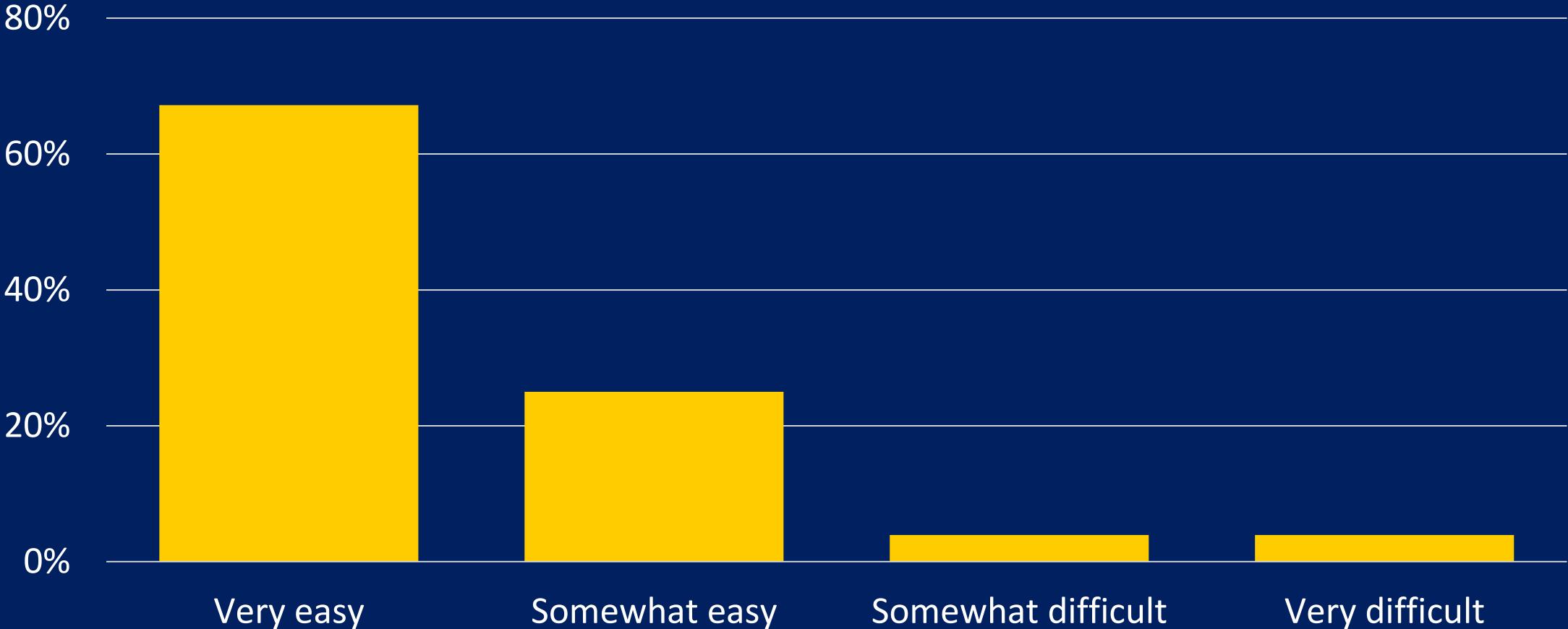


*“In regards to something that they could do better, **they can’t do anything better**, not in my opinion. I don’t want to leave them as a client.”*

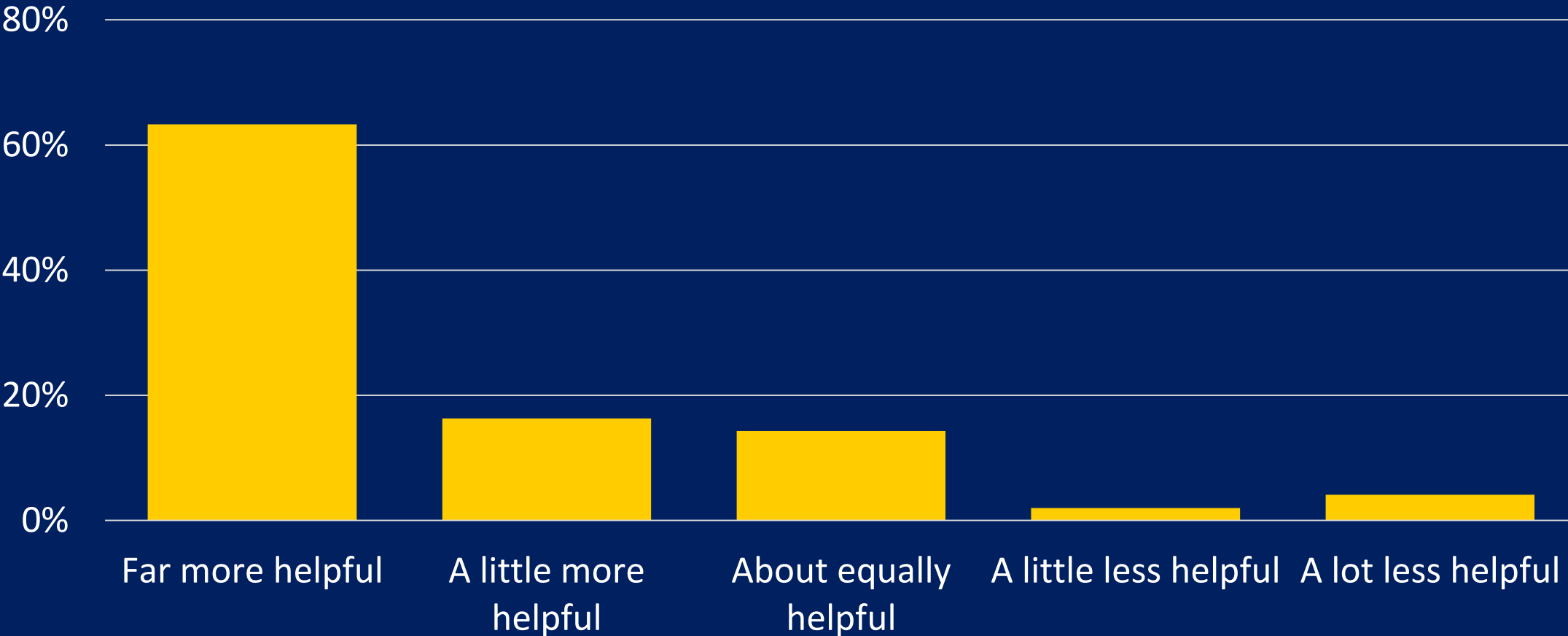
Recipients of Loans Were Overwhelmingly Satisfied With the Experience



...And Found it Very Easy to Determine Their Eligibility



VLT-Funded Loans Were Viewed As Much More Helpful Than Other Funding Sources

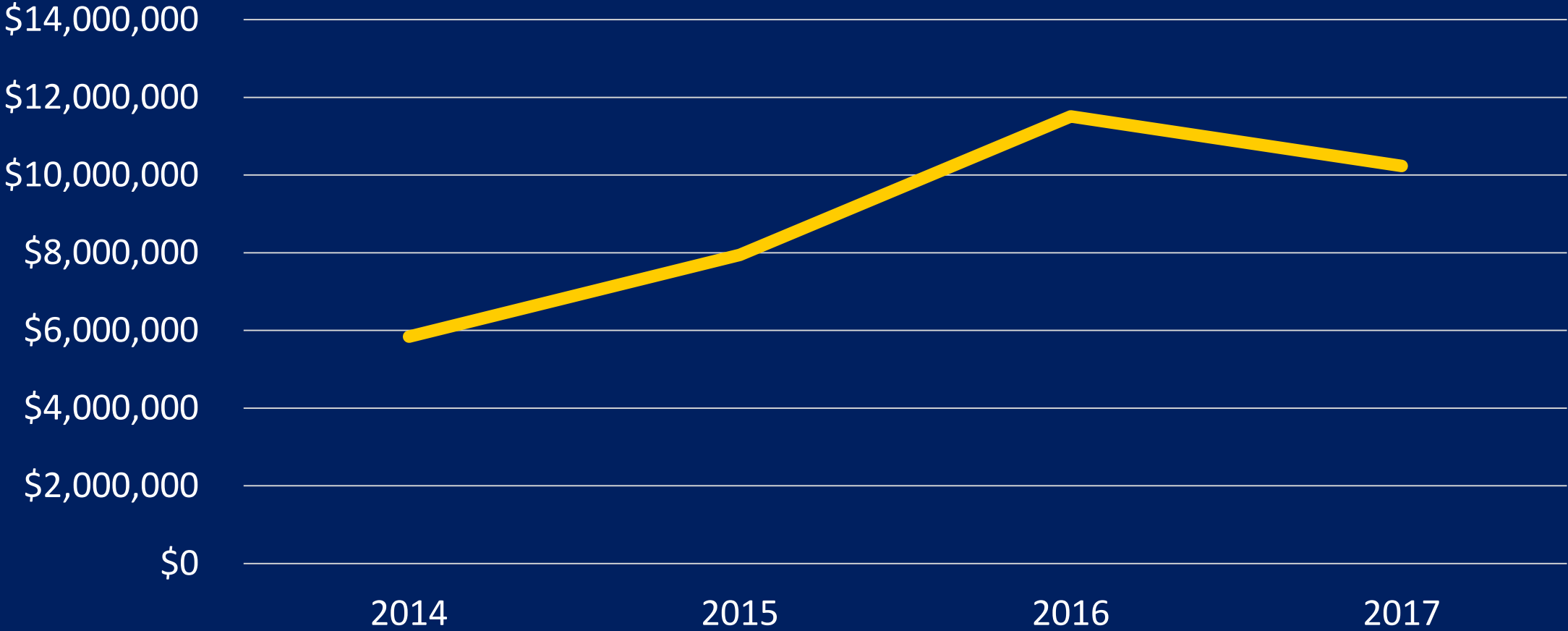


*“The sad part is that things haven’t changed over these 35 years, to be honest with you. Minority businesses have had difficulty, women-owned businesses, in obtaining capital when I began, and that still exists, those same problems. And it’s unfortunate, but we get to the point where we feel like we’re the only game in town, that the banks are reluctant to take risks. They always come up with justifications in their minds as to why they don’t lend to minority- and women- owned businesses. **Lending is basically people lending to people that they’re comfortable with, and most lenders . . . are not comfortable lending to folks different than they are.**”*

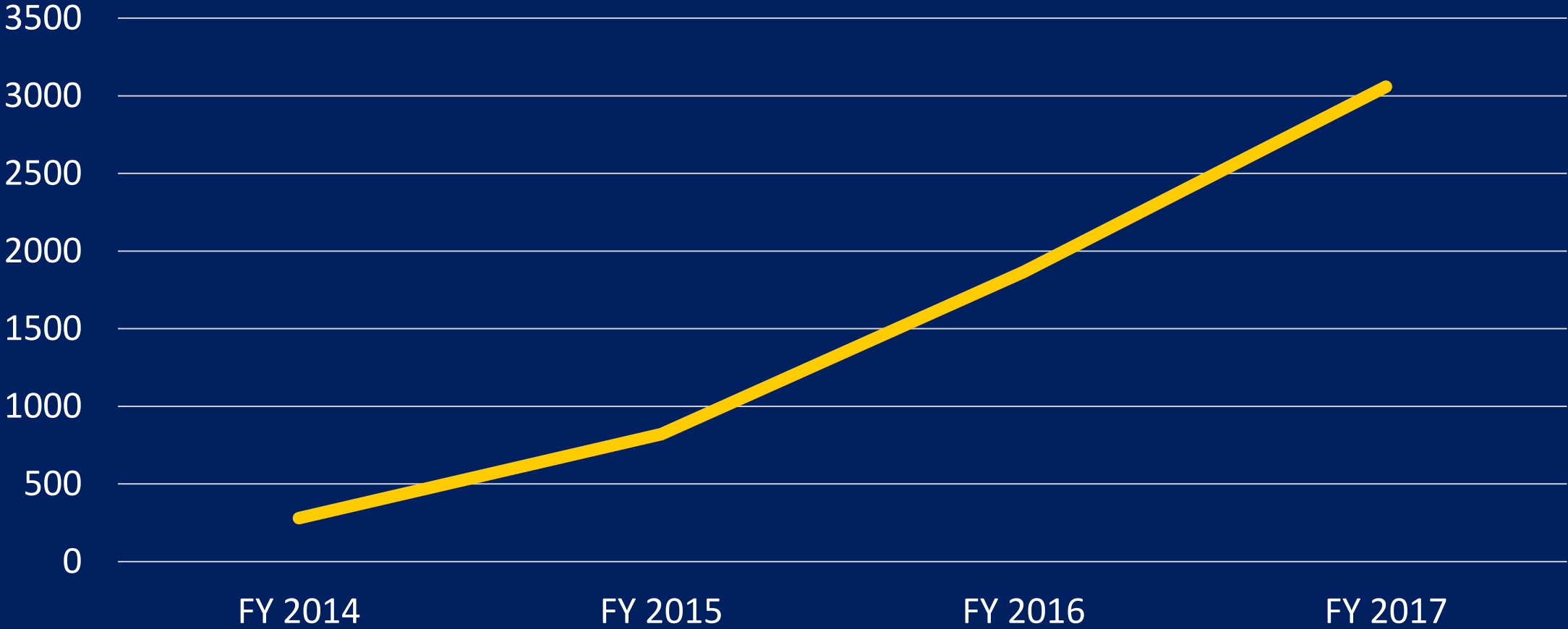
REMI Inputs

- Information on 324 loans made by fund managers to Maryland businesses
- Inputs are employment information by company
 - Adjusted jobs preserved per survey questions
- Calculated opportunity cost as increased state government spending spread by population
 - Assumed increased spending would increase region desirability

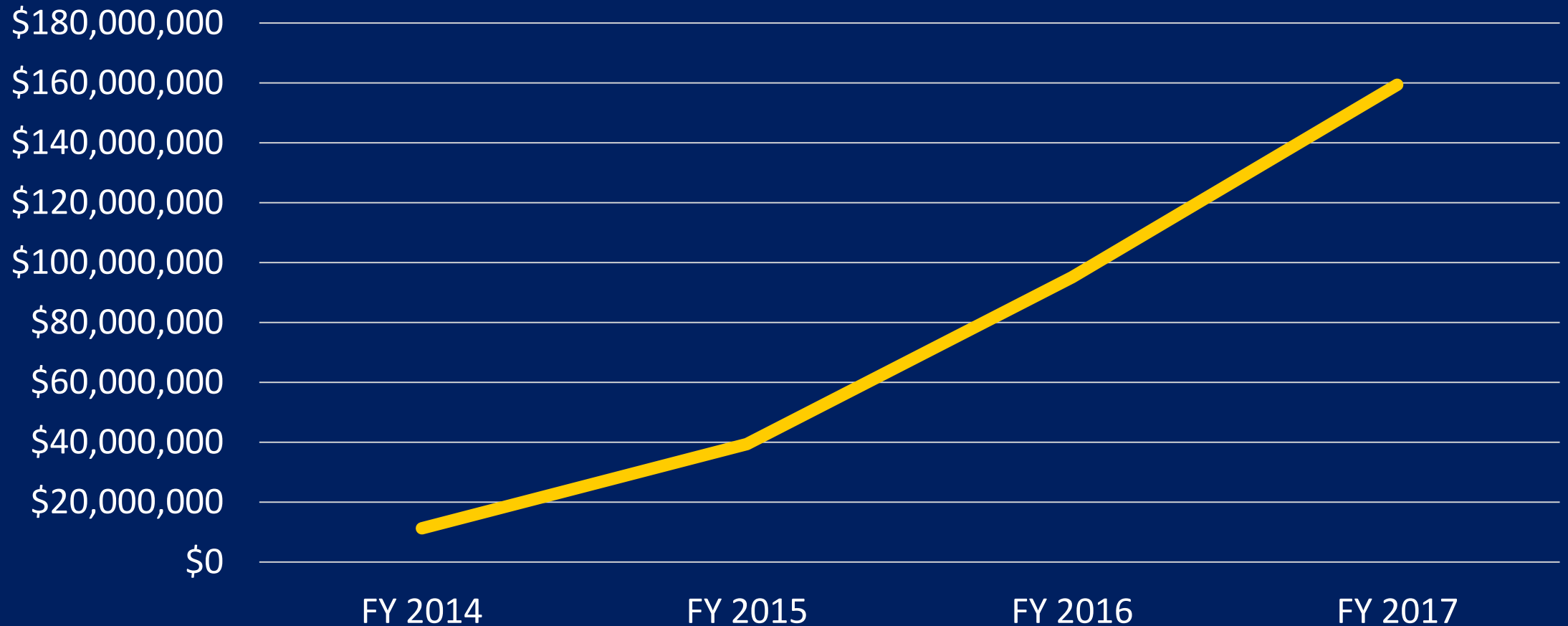
Loans by Year Entered into REMI PI+



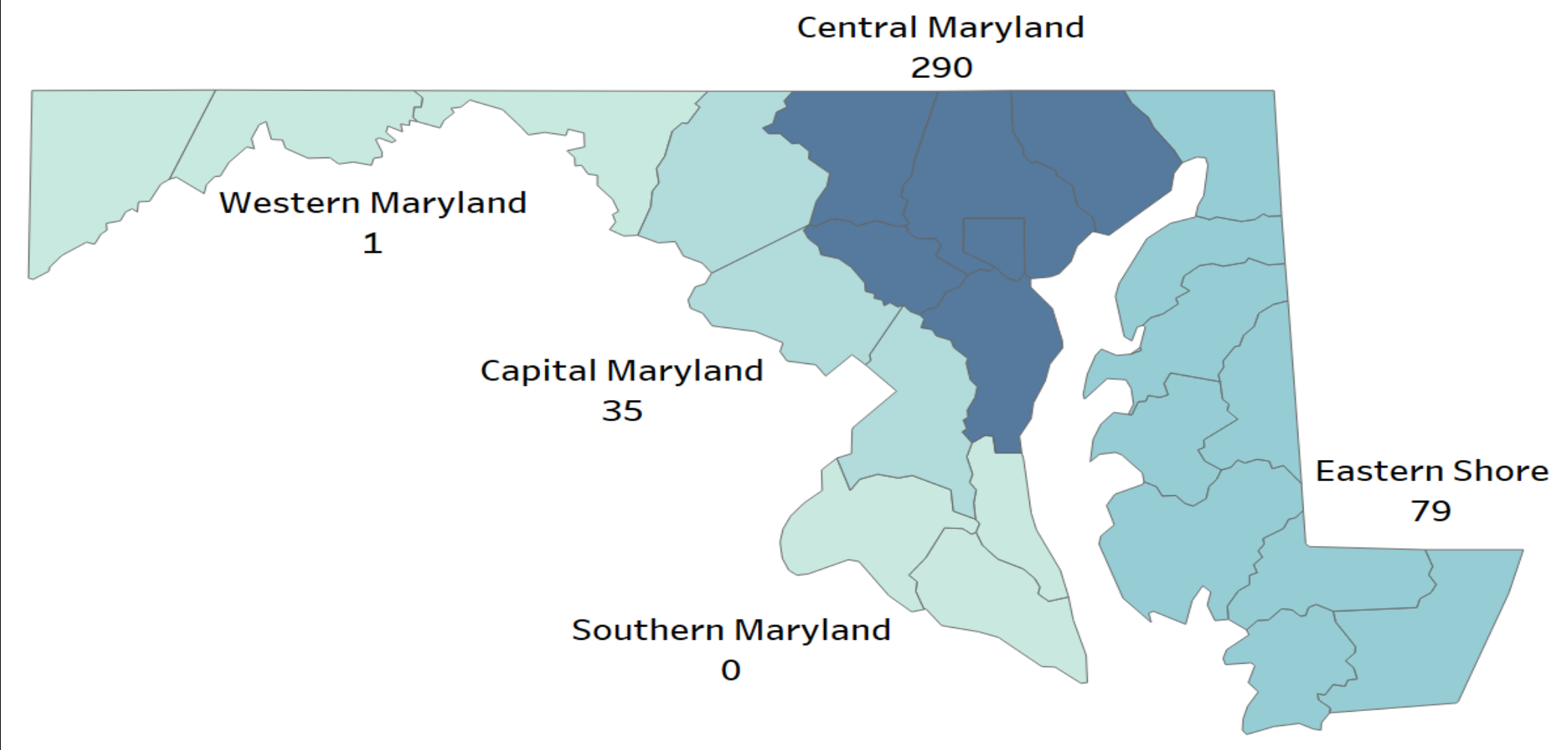
VLT-Funded Loans Supported Over 3,000 Jobs by FY 2017



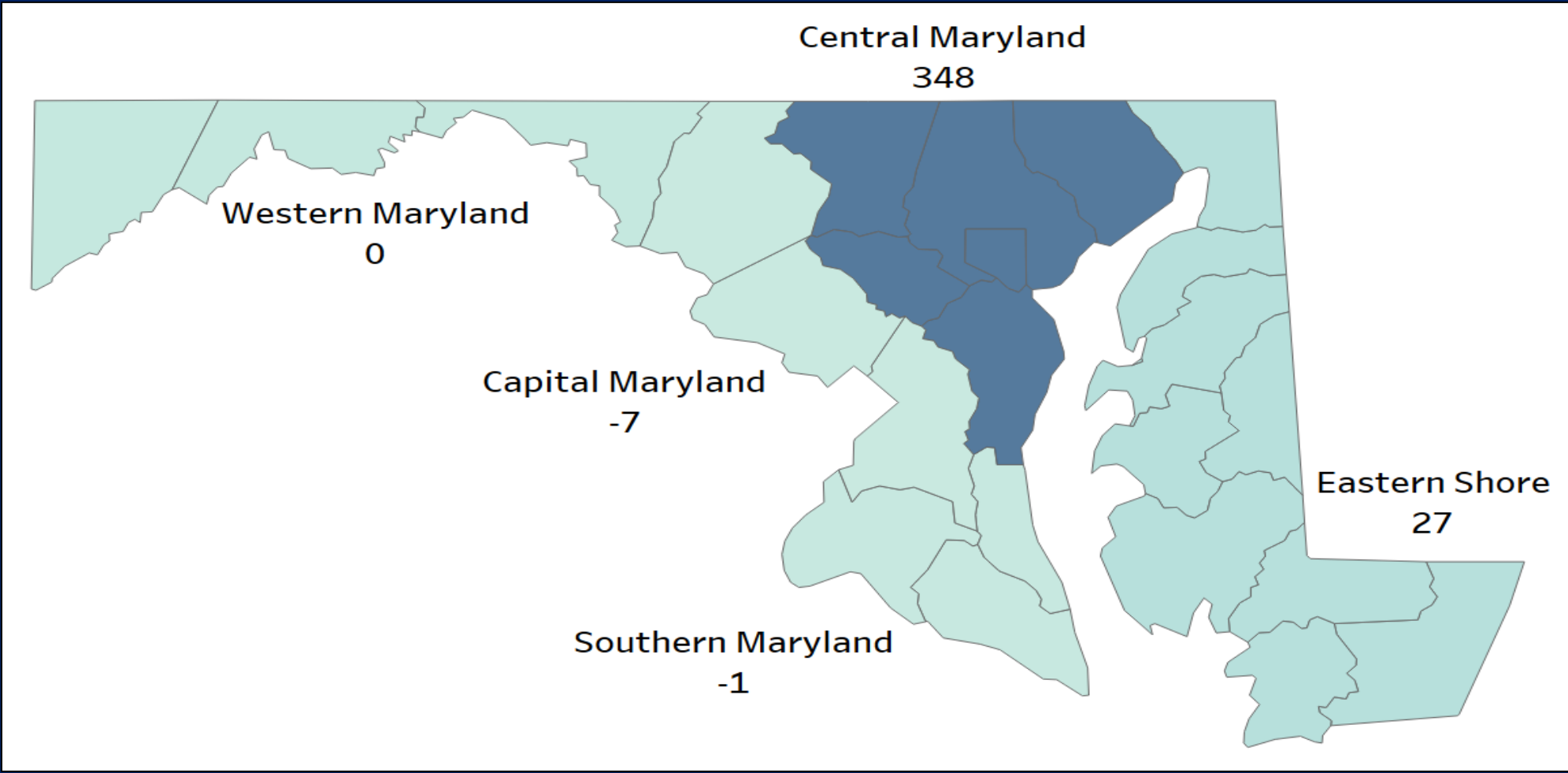
...And Nearly \$160 Million in Wages Statewide by FY 2017



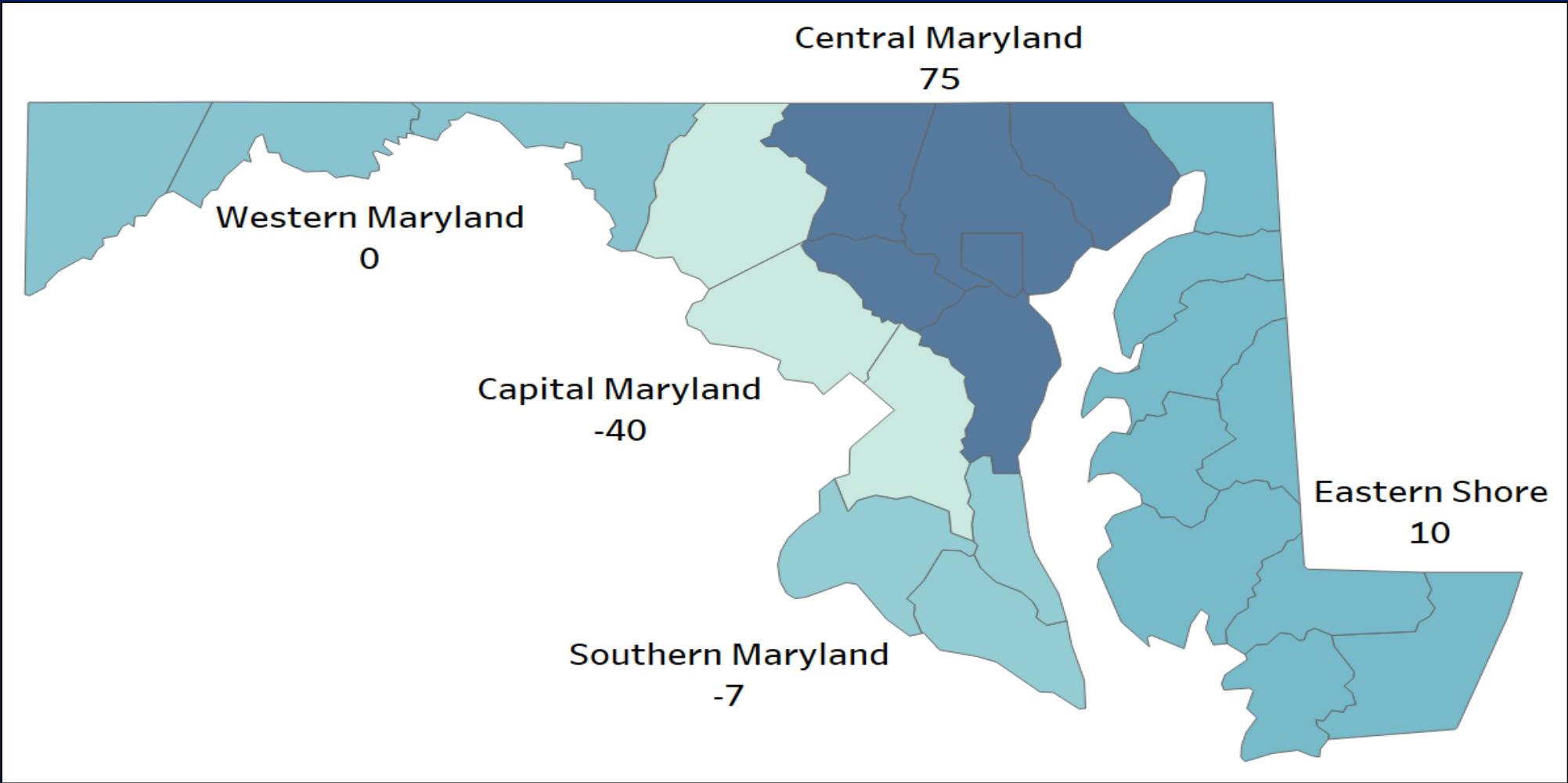
VLT-Supported Employment For Manufacturing, 2017



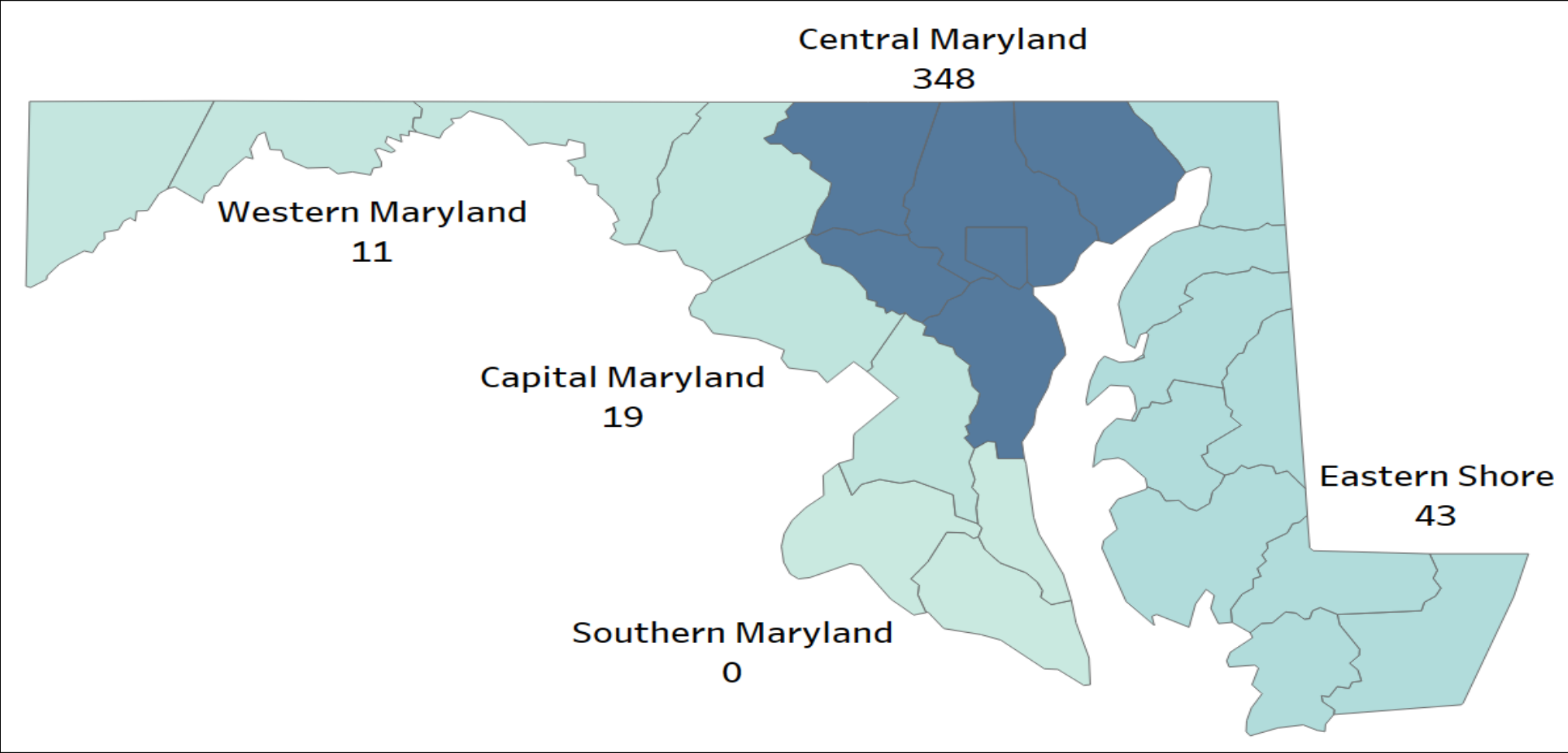
VLT-Supported Employment For Professional and Technical Services, 2017



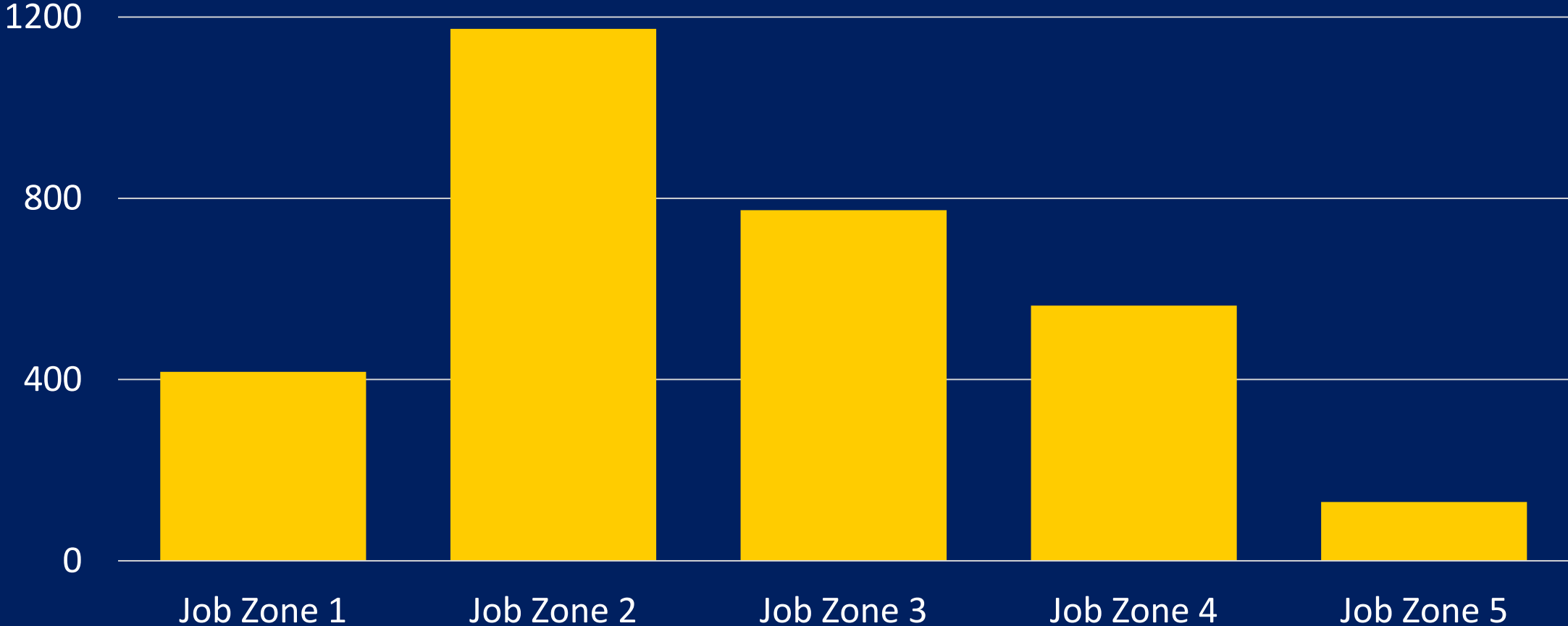
VLT-Supported Employment For Government, 2017



VLT-Supported Employment For Office and Administrative Support Occupations, 2017



VLT-Funded Loans Supported Jobs With a Variety of Different Training and Education Requirements



Implications for Maryland

- Political future of VLT program is uncertain
- Loan program has supported thousands of jobs and created wealth in disadvantaged communities
- True economic impact may be greater than reported
 - Increased wealth in target areas may have greater multipliers than elsewhere
 - Loan repayments allow each dollar initially allocated to be used again

Implications for Other Areas

- Access to capital is major concern for entrepreneurs, especially women and minorities
- Use of proceeds from VLTs is novel way of funding loan program
- Unique program compared to other states RESI analyzed
- Program's flexibility makes it a strong alternative for an underfunded population and can serve as a model for other states

*“They’re willing to take the time to **understand the fundamentals of the businesses** that they’re investing into, and they have the criteria that’s not just “is this gonna make us money” as an angel investor would want, but **is this going to create jobs and help with economic growth in the county and the state.**”*

Questions?

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