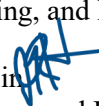




April 7, 2025

MEMORANDUM

TO: Thomas E. Dernoga, Chair
Planning, Housing, and Economic Development (PHED) Committee

THRU: Joseph R. Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye 
Budget & Policy Analyst

RE: Financial Services Corporation
Fiscal Year 2026 Budget Review (Non-Departmental Grants & Transfer Payments)

Budget Overview

- The FY 2026 Proposed Budget for the Financial Services Corporation (FSC FIRST) is \$2,403,400, an increase of \$23,400 or 1% over the FY 2025 Approved Budget.
- The Financial Services Corporation (FSC First) is partially funded through an annual County grant in the non-departmental section of the budget.
- FSC First's proposed FY 2026 budget reflects County grant funding of \$1,18,200, a decrease of \$58,900 or -5%.

Revenue						
Fund	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
County Grant	\$ 1,177,100	\$ 1,177,100	\$ 1,177,100	\$ 1,118,200	\$ (58,900)	-5.0%
Other Sources	3,123,788	\$ 1,202,900	\$ 2,005,300	\$ 1,285,200	\$ 82,300	6.8%
Total	\$ 4,300,888	\$ 2,380,000	\$ 3,182,400	\$ 2,403,400	\$ 23,400	1.0%

Budget Comparison - Consolidated Budget

- FY 2026 proposed revenues for the Financial Services Corporation total \$2,403,400, an increase of \$23,400 or 1%, above the FY 2025 Approved Budget
- This net change is attributed mainly to decreased operating costs for interest expense, portfolio services, loan loss reserves, and training expenses to align with projected costs.

Category	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
REVENUES						
Prince George's County Grant	1,177,100	1,177,100	1,177,100	1,118,200	-58,900	-5.0%
Net Grant Revenue	242,022	105,000	105,000	150,000	45,000	42.9%
Management/Service Fees	1,328,865	811,400	823,000	839,400	28,000	3.5%
Bank & Investment Interest (Other)	34,288	5,000	19,500	24,400	19,400	388.0%
Small Business Administration (SBA) Portfolio related interest income	290,581	231,500	225,000	196,400	-35,100	
American Rescue Plan Act Grant	1,181,606	0	782,800	0	0	-
Other Income	46,426	50,000	50,000	75,000	25,000	50.0%
Total	4,300,888	2,380,000	3,182,400	2,403,400	23,400	1.0%
OPERATING						
Personnel Costs						
Compensation	1,906,165	1,285,100	1,285,100	1,322,900	37,800	2.9%
Fringe Benefits	453,494	431,700	431,700	444,500	12,800	3.0%
Contractual						
IT Maintenance & Service	96,032	65,000	65,000	68,000	3,000	4.6%
Accounting, Compliance & Auditing Services	34,869	45,000	45,000	47,500	2,500	5.6%
ARPA - Audit Related Expenses	17,500	-	-	-	-	-
ARPA - Education & Training	165,610	0	782,800	0	0	-
ARPA - Professional Services - Support to Businesses	222,165	-	-	-	-	-
Payroll & Administrative Costs	31,528	20,000	20,000	20,000	0	0.0%
Marketing & Communications Support	0	20,000	30,000	30,000	10,000	50.0%
Indirect Costs/General Administrative Costs						
Interest Expenses	140,093	82,700	79,500	80,000	-2,700	-3.3%
Legal Fees	73,905	7,500	10,500	11,000	3,500	46.7%
Travel (Mileage, Hotel Airfare, Meals)	15,635	5,000	8,500	8,500	3,500	70.0%
Office Supplies & Expenses	13,742	14,000	14,000	14,000	0	0.0%
ARPA - Office Supplies & Expenses	8,814	-	-	-	-	-
Office Equipment Lease	8,054	15,000	15,000	15,000	0	0.0%
Marketing, Supplies & Public Relations	92,807	30,000	37,500	37,500	7,500	25.0%
Depreciation	13,902	10,500	10,500	11,000	500	4.8%
Insurance Premium / Renewal	33,940	22,000	22,300	24,000	2,000	9.1%
Portfolio Services	76,168	60,000	60,000	23,000	-37,000	-61.7%
Loan Underwriting & Administration	86,883	-	-	-	-	-
Software Licenses & Maintenance Fees	95,500	47,000	47,000	47,000	0	0.0%
ARPA - Software Licenses & Maintenance Fees	188,400	-	-	-	-	-
Copying / Printing	-	4,000	4,000	4,000	0	0.0%
Telephone & Teleconferences	12,165	10,000	10,000	10,000	0	0.0%
Board & Committee Meeting Exp	6,500	8,500	15,000	5,000	(3,500)	-41.2%
Loan Loss Reserves	-	80,000	50,000	50,000	(30,000)	-37.5%
Staff Development/Training Conferences	62,262	30,000	35,000	25,000	(5,000)	-16.7%
Subscriptions, Dues, & Misc.	41,924	35,000	35,000	45,000	10,000	28.6%
Special Program Expenses	-	50,000	65,000	57,500	7,500	15.0%
ARPA - Equipment & Related	10,231	-	-	-	-	-
Miscellaneous / Other Expenses	10,154	2,000	4,000	3,000	1,000	50.0%
Sub-Total	\$ 3,918,442	\$ 2,380,000	\$ 3,182,400	\$ 2,403,400	\$ 23,400	1.0%

Staffing Changes and Compensation

- In FY 2026, compensation is proposed at \$1,322,900, an increase of \$37,800, or 2.9% above the FY 2025 Approved Budget. The increase is due to COLA and modest merit increases.

Authorized Staffing Count

	FY 2025 Approved	FY 2026 Proposed	Change Amount	Percentage Change
Full-Time (Funded)	14	18	4	28.6%
Full-Time (Unfunded)	5	0	-5	0.0%
Total	19	18	4	21.1%

Fringe Benefits

- Fringe benefit expenditures are proposed at \$444,500 in FY 2026, an increase of \$12,800 or 3% over the FY 2025 Approved Budget.

Revenue

- For FY 2026, the County's grant is proposed at \$1,118,200, a decrease of \$58,900 or 5% below the FY 2025 Approved Budget.
- Net loan program income is projected at \$196,400, a \$35,100 decrease or 15.2% below the FY 2025 Approved Budget. This is due to the program's sunset and its reduced portfolio due to its reorganization.
- Management/Servicing Fees are projected at \$839,400, a \$28,000 or 3.5% increase above the FY 2025 Approved Budget. which reflects the growth of the non-SBA portfolio, including revenue from the Maryland Video Lottery Terminal (VLT), Bowie Loan Program, and the EDI Fund Loan Program.
- Net Grant Revenue is projected at \$150,000, a \$45,000 or 42.9% increase over the FY 2025 Approved Budget. This reflects special grants to support technology and marketing efforts.
- Other Income, which includes expected gala fundraising efforts in FY 2026, is projected at \$99,400, an increase of \$44,400 or 80.7%. This may also include any one-time sponsorships or grant administration revenue.

Operating Expenditures

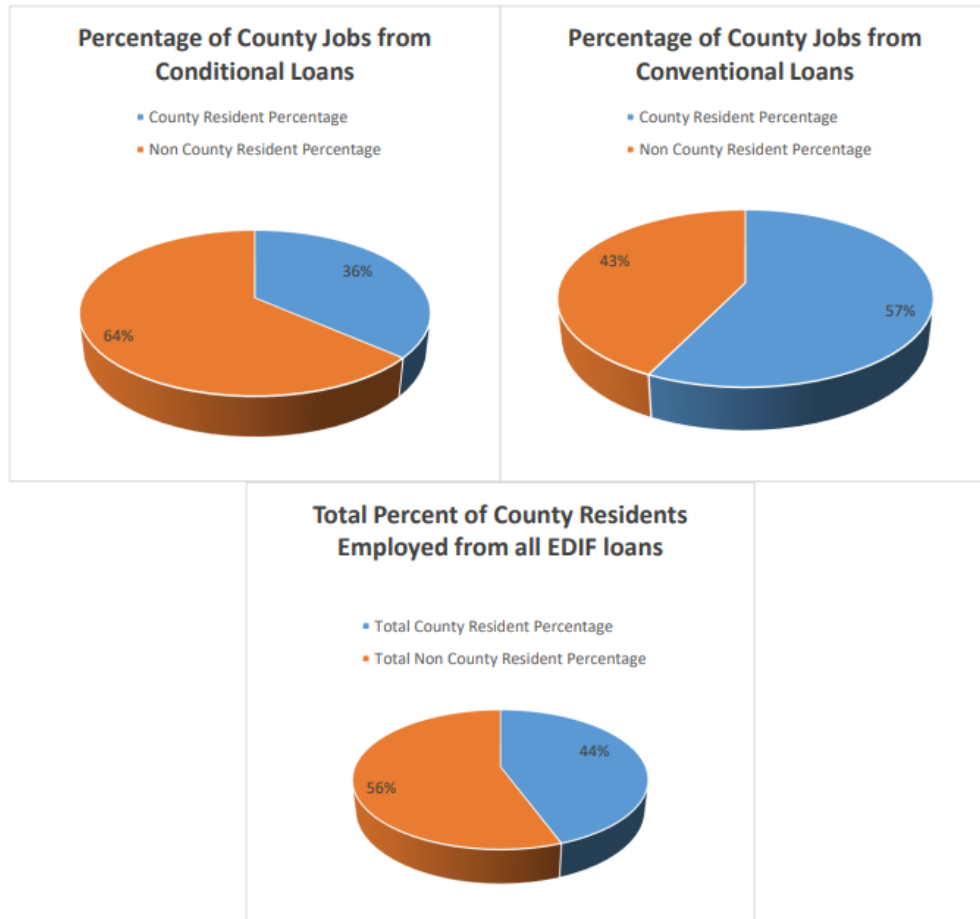
- For FY 2026, operating expenditures are proposed at \$636,000, a decrease of \$27,200 or 4.10% below the FY 2025 Approved Budget. Operating expenditures for the Financial Services Corporation are comprised of the following significant items:
 - Contractual: \$165,500, which is anticipated to increase by \$15,500 or 10.3% due to increased marketing efforts and costs passed on by vendors.
 - Indirect Costs: \$470,500, which are anticipated to decrease by \$42,700 or -8.32%.

Economic Development Incentive (EDI) Fund

- Prince George's County has dedicated \$50 million to provide for the retention, expansion, and attraction of businesses that will broaden the County's commercial tax base, retain and attract jobs, support small and local enterprises, and promote development and development opportunities, transit-oriented development, and the growth of key industry sectors. The Economic Development Incentive (EDI) Fund is administered by FSC First and the Prince George's County Economic Development Corporation (EDC). The project must demonstrate that "but for" the County offering public incentives,

the project would not proceed and that this investment is leveraged with additional private and public dollars.

- Since its inception and as of June 30, 2024, the EDI Fund has closed 73 loans representing 43 conditional loans, 27 conventional loans, three (3) grants, and \$1 million designated for the Contractors' Advantage Program (CAP), totaling \$48,388,500 in financing assistance. Below is the calculation for the FSC First's EDI Fund balance and activity as of February 28, 2025. The EDI Fund has leveraged \$1.3 billion in new business investments through public-private partnerships. As of June 30, 2024, six borrowers defaulted on their loans, which is 13% of the loan portfolio.



- 36% of the jobs created and retained by the conditional EDI Fund loan recipients were for Prince George's County residents.
- 57% of the jobs created and retained by the conventional EDI Fund loan recipients were for Prince George's County residents.
- Collectively, 44% of all verified jobs created and retained by EDI Fund loan recipients were Prince George's County residents.
- Since the Fund's inception, there have been Four (4) clawbacks, and the total received from clawbacks is \$800,239.37. One (1) was a conventional loan.

FY 2025 Commitments @2/28/2025	
Starting Balance	\$50,000,000
Loans Committed	(50,633,500)
Nash Finch	\$200,000
Euro Restaurants	\$455,000
Amara Realty	\$750,000
Aquilent	\$250,000
A.M Briggs	\$85,000
Beltsville Land	\$200,000
Kane Company	\$150,000
UPS	\$100,000
Safeway	\$500,000
Kolytic, Inc.	\$200,000
Giant Food	\$250,000
Capital Lighting & Supply LLC	\$250,000
Genesis Engineering Solutions, Inc.	\$350,000
First Priority Group, LLC	\$150,000
BlueTeam, LLC dba Blue Voyant	\$100,000
Hospitality Development Company II, LLC	\$1,750,000
Sub-Total – Adjusted Total Commitments	\$44,893,500
Sub-Total to Spend (\$50MM – Adj. Total Commitments)	\$5,106,500
Plus Principal Repayments	\$15,366,513
Minus EDIF COVID-19 Relief Contribution	\$2,500,000
Projected Total to Spend in Loan Fund @ 2/28/2025	\$17,973,013

Note: The \$50 million starting balance is based upon the initial assigned amount. Each year, \$9 million is estimated to be appropriated for the EDI Fund, with each loan amount to be approved by County Council legislation.

FY 2025 Expenditures	
Speigner Holdings, LLC	\$150,000
RIZE Zone Rental Assistance	\$150,000
V&B Ventures Inc.	\$480,000
FY 2025 Total Estimated Expenditures	\$780,000

FY 2025 Estimated Additional Expenditures by 6/30/2025	
COZ Pav LP	\$3,000,000
Total Additional Expenditures	\$3,000,000
FY 2025 Pipeline @ 02/28/25	\$475,000
FY 2025 Total Estimated Expenditures	\$4,255,000
Ending EDI Fund Balance	\$14,498,013

Other Loan Programs

- The Video Lottery Terminal Flex Fund: Nine (9) loans totaling \$1,227,000 were closed/funded in FY 2025. Two (2) loans totaling \$320,000 are in the closing and pending but approved process as of February 28, 2025. Eight (8) loans totaling \$3,736,000 are in the pipeline.
- SBA 504: One (1) loan totaling \$182,000 was closed/funded in FY 2025. Three (3) loans totaling \$1,879,400 are in the closing and pending but approved process as of February 28, 2025. Three (3) loans totaling \$2,106,000 are in the pipeline.
- UMMS: Two (2) loans, totaling \$235,000, were closed/funded in FY 2025. One (1) loan, totaling \$100,000, is in the closing and pending but approved process. Four (4) loans, totaling \$350,000, are in the pipeline.
- Small Business Capital & Growth Stimulus Loan: Five (5) loans totaling \$400,000 were closed closed/funded in FY 2025.

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Projected
Loans Closed	13	23	24	34	38
Jobs Created/Supported	111	607	840	404	519
Total Approved Loan Amounts (Millions)	\$3.2	\$3.7	\$7.5	\$7.0	\$8.5

- The loan balance for the entire portfolio is \$33,311,840 as of February 28, 2024.
- The amount of loans approved but unfunded \$5,854,400 as of February 28, 2025.
- The amount of loans in the pipeline is \$10,812,000 as of February 28, 2025.

FY 2025 Key Accomplishments

In FY 2025, FSC has:

- Through the Level Up program, hosted 52 events with 3,317 attendees.
- 2.23M loans closed and funded in FY 2025, with FY 5.8M in processing and pending approval.

FY 2025 Updates:

- The EDI Fund Contractors Advantage Program has not closed any transactions because it needs a new bank lender, and the agency is working on securing one.

- The Green Energy Fund has not closed any transactions, and FSC is working with the Department of Environment (DOE) to collaborate on eligible projects. Funding opportunities related to green energy are being stalled.

Strategic Focus and Initiatives for FY 2026

- Lend \$11 million in new loans to local businesses through federal, State, and regional programs.

Challenges and Opportunities for FY 2026

- Rising interest levels lead to hesitancy for small business owners to engage in debt financing, further limiting the growth of FSC First's loan portfolio. Through this, FSC First has relied on the Level Program to provide technical assistance and other programming.
- The tremendous decrease in the number of programs FSC First can offer due to the loss of the ARPA grant, which funded Level Up Programming and any other technical assistance programming. FSC First cannot reach the desired results related to small businesses' success, but some can be done through volunteers.
- The DECADE Act Bill proposed to cut the VLT Flex Fund (Small, Minority, and Woman-Owned Business Account (SMWOBA) by 50% to divert funds to the Maryland Small Business Development Financing Authority (MSBDFA). This will affect FSC's ability and flexibility to support access to capital for small businesses in the County at the current level. The agency estimates this will significantly impact since it is the second most profitable fund behind EDI.
- The Federal Government's focus on reducing the budget of the SBA, CDFI Fund, and other grants that support CDFIs will have a significant impact.
 - The Community Advantage program supports loans to small businesses that do not qualify for bank financing by providing guarantees; without this program, it will require FSC First to acquire other capital sources.
 - FSC First has previously received grant funding from the CDFI Fund for \$750,000, which supported the original rollout of the Level Up program. The agency anticipated applying for the CDFI Financial Assistance program in FY 2026, but these funds are not expected to be available.
 - The agency was also approved for a Federal FY 2025 grant from the Senate Appropriations for the Level Up Program. Still, it was stated that the funds were not available due to continuing resolutions.
 - Related to green energy programs, the Greenhouse Gas Reduction Fund was terminated, which would eliminate receiving \$11M to expand the County's Green Bank.

Questions for Committee Consideration:

1. How can FSC First continue to support small businesses at the highest level despite the threat to multiple funding sources, including VLT Flex and SBA?
2. What is the current capacity of the Level Up program, and how can it be strengthened to stabilize the business community, especially in the wake of Federal Government uncertainty?
3. How can the overall functions of FSC First be leveraged in the current economic climate?