

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 243 (Senator Kramer)
 Budget and Taxation

Small Business Development Center Network Fund - Minimum Appropriation

This bill increases the minimum general fund appropriation to the Small Business Development Center (SBDC) Network Fund that the Governor must include in the annual budget bill beginning in fiscal 2021. Specifically, the minimum appropriation – currently \$950,000 – increases to \$1.5 million in fiscal 2021 and then increases by \$0.5 million annually, up to \$3.0 million in fiscal 2024 and future years. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: No effect in FY 2020. General fund expenditures increase by \$550,000 in FY 2021, \$1,050,000 in FY 2022, \$1,550,000 in FY 2023, and \$2,050,000 annually thereafter. Special fund revenues and expenditures increase correspondingly and may further increase, beginning in FY 2021, from additional federal or other matching funds, as discussed below. **This bill increases a mandated appropriation beginning in FY 2021.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF/FF Rev.	\$0	\$550,000	\$1,050,000	\$1,550,000	\$2,050,000
GF Expenditure	\$0	\$550,000	\$1,050,000	\$1,550,000	\$2,050,000
SF Expenditure	\$0	\$550,000	\$1,050,000	\$1,550,000	\$2,050,000
Net Effect	\$0	(\$550,000)	(\$1,050,000)	(\$1,550,000)	(\$2,050,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law: The Governor is required to include in the annual budget bill a general fund appropriation of at least \$950,000 to the SBDC Network Fund. This amount was established by Chapter 712 of 2012, which increased the minimum from \$750,000.

Background: SBDC offers free business consulting services to new and existing small business. The counseling provided ranges from best practices to financing to bringing all appropriate or applicable resources to the table. The network is organized across five regions, with more than 20 offices located throughout the State. Each SBDC must partner with at least one institution of higher education, and in the aggregate, the State must provide at least a one-to-one match to receive the federal funds.

The SBDC Network Fund is administered by the University of Maryland, College Park Campus (UMCP). SBDC advises that its annual budget is about \$4.5 million each year, although there are fluctuations. In addition to the annual State appropriation of \$950,000, SBDC receives about \$2.25 million in federal funds from the U.S. Small Business Administration (SBA) each year, subject to the one-for-one matching requirement. The remaining funding, which is a combination of cash and in-kind contributions, is provided through voluntary arrangements with local governments, institutions of higher education, and various foundations/financial institutions/grants.

SBDC employees are either State or local employees, depending on the institution of higher education they are affiliated with (currently UMCP, Salisbury University, Frostburg State University, Harford Community College, or the College of Southern Maryland).

State Fiscal Effect: General fund expenditures increase by \$550,000 in fiscal 2021, \$1,050,000 in fiscal 2022, \$1,550,000 in fiscal 2023, and \$2,050,000 annually beginning in fiscal 2024. SBDC special fund revenues increase correspondingly from the State's appropriations. This estimate assumes that the Governor would otherwise appropriate the minimum required amount each year, as is the case in the Governor's proposed fiscal 2020 budget.

SBDC currently has sufficient funding to receive the full potential federal match from SBA. However, SBDC advises that it intends to seek out additional federal and/or other matching funds with some of the additional funding provided by the bill. Therefore, SBDC special fund revenues further increase beginning in fiscal 2021, up to the amount of additional general funds available each year.

Special fund expenditures increase correspondingly as the funding made available through additional general funds and matching funds is expended to support SBDC operations.

Small Business Effect: Additional funding for SBDC enables it to enhance its services for small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland; Small Business Development Center; Department of Legislative Services

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