

Department of Legislative ServicesMaryland General Assembly
2020 Session**FISCAL AND POLICY NOTE**
Enrolled - Revised

Senate Bill 493

(Senator Elfreth, *et al.*)

Budget and Taxation

Appropriations

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 to \$1,150,000 beginning in fiscal 2022. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: No effect in FY 2021. General fund expenditures increase by \$200,000 annually beginning in FY 2022. Special fund revenues and expenditures increase correspondingly and may further increase from additional federal or other matching funds, as discussed below. **The bill increases a mandated appropriation beginning in FY 2022.**

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF/FF Rev.	\$0	\$200,000	\$200,000	\$200,000	\$200,000
GF Expenditure	\$0	\$200,000	\$200,000	\$200,000	\$200,000
SF Expenditure	\$0	\$200,000	\$200,000	\$200,000	\$200,000
Net Effect	\$0	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)

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: Minimal, although additional funding for SBDC enables it to enhance its services for small businesses.

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. The current 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 businesses. 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 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 \$4.6 million each year, although there are fluctuations. In addition to the annual State appropriation of \$950,000, SBDC receives about \$2.3 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 with which they are affiliated (currently UMCP, Salisbury University, Frostburg State University, Harford Community College, or the College of Southern Maryland).

State Fiscal Effect: General fund expenditures increase by \$200,000 annually beginning in fiscal 2022. 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 fiscal 2021 budget.

SBDC currently has sufficient funding to receive the full potential federal match from SBA. SBDC advises that it intends to assess staffing needs when funding becomes available in fiscal 2022. Additionally, while not required by the bill, SBDC generally attempts to seek out additional federal and/or other matching funds to leverage State funding. Therefore, SBDC special fund revenues may further increase beginning in fiscal 2022 depending on how SBDC uses the available funding under the bill.

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

Additional Information

Prior Introductions: None.

Designated Cross File: HB 492 (Delegate B. Barnes, *et al.*) - Appropriations.

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

Fiscal Note History: First Reader - February 6, 2020
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