



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: February 23, 2021
COMMITTEE: Senate Education, Health, and Environmental Affairs
BILL NO: Senate Bill 722
BILL TITLE: Department of Small Business, Entrepreneurship and Innovation – Established
POSITION: OPPOSE

The Maryland Department of Commerce opposes Senate Bill 722 – Department of Small Business, Entrepreneurship and Innovation – Established.

Bill Summary:

This bill proposes to create a new agency, the Department of Small Business Entrepreneurship and Innovation (SBEI) in the Executive Branch, and transfer authority of the Maryland Small Business Development Financing Authority (MSBDFA) program from the Department of Commerce to the newly created entity along with Commerce staff that work on the MSBDFA program.

Rationale:

The Department of Commerce applauds the sponsor’s interest in the development and growth of small business in Maryland. Small businesses traditionally have challenges with growth and access to capital and this has been more evident during the ongoing pandemic. During the pandemic, the Administration with its leading state agencies who work with small businesses on a daily basis such as Commerce, DHCD, TEDCO, MARBIDCO doubled down on their support for small businesses, and we continue to do so today. Commerce, in conjunction with the contractor who administers MSBDFA was able to use that program to provide much needed relief funding as well.

Commerce has a number of financing assistance programs and targeted industry sector initiatives through which most of the businesses it serves are small businesses. Removing the MSBDFA program from Commerce’s administration would have detrimental impacts and separate the program from a full complement of outreach, marketing and support the Department provides to a variety of businesses. Commerce opposes Senate Bill 722 as it would be disruptive to the operations of the MSBDFA program specifically and to other small business assistance programs within Commerce, generally. This legislation requires transferring the entire MSBDFA loan portfolio to a new servicing agency. Existing MSBDFA clients cannot afford disruption in service that transferring a loan portfolio would cause. An interruption in service would delay already struggling businesses with access to the funding they need to survive. Furthermore, a transfer of staff and their positions would deprive Commerce of needed positions as the individuals working on the MSBDFA program who would be transferred through Senate Bill 722 also perform necessary duties for other programs within the Department. Our Department

would lose the skill set and institutional knowledge, resulting in disruption of remaining Commerce programs that assist small businesses. This loss of this staff would put Commerce in a position of not meeting state and federal operating and reporting regulations and requirements that could result in the loss of existing federal funds and jeopardize the award of federal funds in the future.

MSBDFA is an important program in Commerce's economic development resource toolbox. The program has been administered successfully by Commerce (and its predecessor agencies) for over forty years. Transferring the loan portfolio and the loan servicing will be a considerable undertaking that could be disruptive to the small businesses that rely on the MSBDFA program for funding of their business operations.

In addition to the issues with transferring MSBDFA out of Commerce, this legislation would further complicate service delivery to small business. Commerce provides support/assistance for a variety of business types and sizes with most of our assistance going to small businesses as the vast majority of businesses in Maryland are in fact small businesses. This support ranges from financial incentives to day-to-day assistance provided by Commerce's industry representatives and local business development representatives assigned to each jurisdiction throughout the State. To the extent possible, programs and services targeted to small businesses should be easily accessible, one-stop services. The program changes proposed by Senate Bill 722 would likely cause confusion among small businesses and complicate their efforts to access assistance.

Commerce respectfully requests an unfavorable report on Senate Bill 722.