

CE Ball 2021- SB 722 - Department of Small Business

Uploaded by: Ball, Calvin

Position: FAV



HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

3430 Courthouse Drive ■ Ellicott City, Maryland 21043 ■ 410-313-2013 Voice/Relay

Calvin Ball
Howard County Executive
cball@howardcountymd.gov

www.howardcountymd.gov
FAX 410-313-3051

February 23, 2021

Senator Paul Pinsky, Chair
Education, Health, and Environmental Affairs Committee
Miller Senate Office Building, 2 West
Annapolis, MD 21401

Re: Testimony **IN SUPPORT** of SB 722: Department of Small Business, Entrepreneurship, and Innovation - Established

Dear Chair Pinsky and Members of the Committee,

I commend Senator Hester for introducing Senate Bill 722, which would create a Department of Small Business, Entrepreneurship, and Innovation. This bill would transfer the responsibilities of the Governor's Office of Small, Minority, and Women Business Affairs (GOSBA), among others, into the new Department which would report directly to the Governor.

I am also encouraged that SB 722 would expand existing GOSBA reporting requirements. Under the proposed bill, the new department would report on the status of small businesses in Maryland and their access to opportunities to increase their capital. The department would also be responsible for evaluating participation levels in the State Minority Business Enterprise Program and the Small Business Reserve Program.

My Administration takes pride in the diversity of our residents and businesses. Ensuring that the diversity of our entrepreneurial and innovative private sector has been a long-standing priority. As former Chair of the Howard County Council, I led the initiative for the Howard County Equal Business Opportunity Commission to study the effectiveness of the county's Equal Business Opportunity Program. This program aims to include businesses led by people of color, women and those in our developmental disability community into the county's procurement process for all goods and services.

In 2019, my Administration spent \$59.2 million with minority, woman, and veteran owned firms, which represented a nearly 20% increase than what was spent in 2018. We have worked to update our public procurement processes, making Howard County Government more innovative, effective and inclusive.

I understand that promoting diversity, equity, and inclusion in our private sector only makes it stronger. When government can work with business to provide opportunities for all, our State becomes more competitive and able to seize future business opportunities. Senate Bill 722 creates a state-level partner to help local jurisdictions build on existing efforts to champion diversity and a strong private sector.

For these and many more reasons, I urge your support of SB 722.

Sincerely,

Calvin Ball

Howard County Executive

MDGA_SenatorHester_FAV_SB722.docx.pdf

Uploaded by: Hester, Katie

Position: FAV

KATIE FRY HESTER
Legislative District 9
Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology



Annapolis Office
James Senate Office Building
11 Bladen Street, Room 304
Annapolis, Maryland 21401
410-841-3671 • 301-858-3671
800-492-7122 Ext. 3671
KatieFry.Hester@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Sponsor Testimony In Support of SB722 - Department of Small Business,
Entrepreneurship, and Innovation - Established**

February 23, 2021

Good afternoon Chairman Pinsky, Vice Chair Kagan, and members of the Education, Health, and Environmental Affairs Committee:

Thank you for your consideration of Senate Bill 722. Throughout the pandemic, small businesses around the State have faced many challenges, from how to source inventory and pay rent, to how they can retain their employees in such a difficult time. Like many of you, my office has been inundated with calls from constituents and small businesses in need of assistance navigating the system and getting connected with the appropriate resources. And time and time again, the feedback I have received was that our State systems are too complex and too difficult to navigate. It was just too hard to find help through the State. Right now we have a number of programs related to small, minority, and women owned businesses, but by virtue of their being dispersed throughout government can be disjointed, particularly for small business owners unfamiliar with State systems. We have also set very ambitious diversity and veteran contracting goals, but fail to reach them year after year.

Inspired by the U.S. Small Business Administration, this new Department would serve as a one stop shop for small businesses and entrepreneurs seeking help or partnership from the State, and a strong advocate for Maryland small businesses across state government. This Department would take the place of the Governor's Office of Small, Minority and Women-Owned Business Affairs, and would also absorb certain responsibilities from the Department of Commerce and the Department of labor focused on small, minority, women, and veteran owned businesses. They would conduct research and release annual reports, outreach on how to participate in the

procurement process, work with local entities to build entrepreneurial ecosystems, and provide certain financial services to small, minority, and veteran owned businesses.

The ultimate goal of this bill is to break down barriers for small businesses to better utilize State resources they need to create and maintain a competitive business marketplace. By rehousing our programs under one roof we can simplify the process for our small businesses. This bill would also help the State achieve its goals for the Small Business Reserve, the Minority Business Enterprise program, and Veteran-Owned Small Business Enterprise Program. Additionally, this legislation would move MSBDFA and the associated staff from Commerce to the new Department. This would not require more spending , but the reallocation of employees for greater efficiency. The newly formed Department of Small Business, Entrepreneurship, and Innovation would still have a collaborative relationship with the Department of Commerce, but would allow them to focus on our larger employers who have unique challenges of their own.

Throughout the recovery effort, the [99.5% of Maryland Businesses that are “Small Businesses”](#) will need significant assistance. According to FEMA, 40% of businesses do not reopen following a disaster. Of those that do reopen, another 25% fail within one year. Similar research from the Small Business Administration indicates that over 90% of businesses fail within two years after being struck by a disaster. Recovery doesn't end when a business reopens their doors. It continues through the years following a disaster. This bill will make sure our small businesses receive the operational support they need to return from this pandemic stronger than ever, and to improve the support Maryland provides to our Small, Minority, Women, and Veteran-Owned businesses throughout the State. **I respectfully request a favorable report on SB722.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester
Carroll and Howard Counties

SB 722_Dept of Small Business_Oppose_Final.pdf

Uploaded by: Schulz, Kelly

Position: UNF



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.

GOSBA_SB722_Opposition.pdf

Uploaded by: Small, Minority & Women Business Affairs, Governor's Office

Position: UNF



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CRIME CONTROL & PREVENTION • SMALL, MINORITY & WOMEN BUSINESS AFFAIRS
CHILDREN • DEAF & HARD OF HEARING

DATE: February 15, 2021

COMMITTEE: Education, Health, and Environmental Affairs

BILL TITLE: SB-722 Department of Small Business, Entrepreneurship, and Innovation - Established

POSITION: **Oppose**

The Governor's Office of Small Minority & Women Business Affairs (GOSBA) is in opposition of Senate Bill 722 - Department of Small Business, Entrepreneurship, and Innovation – Established

Bill Summary

This bill proposes the establishment of a Department of Small Business, Entrepreneurship, and Innovation (DSBEI), which would operate as a principal department of the Executive Branch. This new entity would be comprised of specified transferred entities, which would include the Governor's Office of Small, Minority & Women Business Affairs. It also proposes the transfer of responsibilities and staff from various other business-related entities/offices within the State. Additional responsibilities for the DSBEI, beyond those of the transferred entities, would include establishing a commission to study and provide recommendations on small business issues, meeting new reporting requirements, and evaluating agency regulations for their effects on small businesses.

Background

Title 9, Subtitle 3 of the State Government Article establishes the Governor's Office Small, Minority, & Women Business Affairs (GOSBA) in the Executive Department and designates the head of the office as a Special Secretary who is appointed by and serves at the pleasure of the Governor. The Special Secretary's general duties are to advise the Governor on activities to promote economic development and inclusion through the use of historically underutilized or presumptively disadvantaged businesses. GOSBA has designated oversight, reporting, and outreach responsibilities related to the State's Minority Business Enterprise Program, Small Business Reserve Program and the Veteran-Owned Small Business Enterprise Program.

Rationale

GOSBA is a member of the Governor's Coordinating Offices, which is comprised of six other offices tasked with coordinating strategic efforts to advance the Governor's communitywide efforts in a holistic and highly constituent-focused fashion. GOSBA also serves as an oversight agency for the 70 Executive Agencies administering the State's socio-economic procurement preference programs. GOSBA is thereby separate and distinct from other State agencies enumerated in the legislation.

Further, this proposed massive restructuring and rebranding of numerous State government entities will prove to be costly and ill-timed, particularly when considering the stakeholders and communities GOSBA seeks to serve.

GOSBA is a well-known and long-standing partner to the small business community- in fact, having one of the highest customer-service satisfaction ratings across State agencies. We believe shifting, renaming, and reorganizing GOSBA at a time when our core constituents are looking to us the most for guidance and resources as they seek to recover from the pandemic, is ill-timed. Many of our constituent small businesses do not have the resources to keep up with shifting policies and departments – in fact, the inability to find the correct contact person to resolve or address an issue is one of the most recorded complaints about government from constituents at large. Our constituents are largely comprised of small and minority business owners who have come to appreciate the focused and personalized programs and assistance they receive from this office.

Additionally, having recently undergone a name change in 2017 after decades as the Governor's Office of Minority Affairs, GOSBA, can attest to the significant preparation and public outreach required to apprise stakeholders of a name change alone. A restructuring of entities will require the revamping of countless outreach and marketing materials as well as websites and webpage functions.

This reorganization will require additional State expenditures to account for larger office space to house the combined staff of the various departments and offices named in the legislation.

GOSBA respectfully requests an unfavorable report on Senate Bill 722.