



Lead Center
7761 Diamondback Drive
College Park, MD 20742

TO: Senate Finance Committee
Senator Delores G. Kelley, Chair
Senator Brian J. Feldman, Vice Chair

Senate Committee on Budget and Taxation
Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair

CC: Senators Hester, West, Peters, Kramer, Kagan

FROM: Maryland Small Business Development Center
Ruth Chavez, Business Consultant
Paul Bardack, Executive Director

DATE: March 16, 2021

SUBJECT: SB 788 – Maryland Capital Access Program – **FAVOR**

The Maryland Small Business Development Center (SBDC) wishes to go on record as favoring the enactment of SB 788.

The Maryland SBDC, as you may know, provides confidential management and financial consulting to entrepreneurs at no cost to them. We also offer group training to people running well established companies at one end of the spectrum, to people simply thinking of bringing their business ideas to reality at the other.

Just last year, we served over 9,000 business owners, helped them raise more than \$148 million, supported nearly 54,000 Maryland jobs, and even – in the midst of these terrible times – helped 267 entrepreneurs start new companies. In so doing, we proved ourselves to be the premiere organization in Maryland helping the most vulnerable small businesses to weather the pandemic.

Despite our best efforts, however, many of our clients were – and continue to be – unable to obtain the capital their businesses need to survive and, perhaps, even grow.

The reason we wholeheartedly support the enactment of SB 788, therefore, is that the bill would incentivize small lenders to provide capital to precisely those entrepreneurs who typically face challenges accessing private financing.

Capital, as many of you have heard from your constituents, is essentially inaccessible to a substantial portion of Maryland's established and aspiring entrepreneurs, many of whom are members of minority communities. Nearly 80% of small business applications to commercial lenders are rejected, in fact. That high rejection rate is due in large part to current bank lending practices – most notably lender risk tolerance – far more than it is due to the perceived viability of the business whose owner is seeking a bank loan.

SB 788 directly addresses this problem by reducing the risk tolerance of prospective lenders when considering loan applications from prospective borrowers. It incentivizes lenders to make loans to entrepreneurs who would typically be denied capital were this bill not to become law. And it would help businesses receive the capital they need to pivot as needed to overcome the many challenges they confront when seeking money for such purposes as working capital, equipment acquisition, store improvements, and the like.

To cite just one example: many of Maryland's restaurant owners, and owners of retail companies, will need to add significant e-commerce capabilities to survive current economic conditions. The websites needed to permit this addition are often quite expensive to develop to meet customer expectations; costs can be as much as \$10,000 or more. Without this legislation, many of those business owners will be unable to engage in the e-commerce they require to survive, because they cannot get the financing needed to augment their current operations. And those that do get the capital they need from alternative, even underground, sources may be required to repay those loans with interest rates as high as 400%.

We support this legislation, therefore, because it would stimulate in Maryland the flow of much needed capital to smaller companies – just as the program it is based upon has stimulated the flow of much needed capital to smaller companies in other states. That would give hope to entrepreneurs throughout our state, both during the current pandemic and beyond.