



POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE FINANCE AND BUDGET AND TAXATION COMMITTEES

HOUSE BILL 1211 - ECONOMIC DEVELOPMENT – MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION – PRE-SEED BUILDER FUND

Sponsor – Delegate Darryl Barnes

March 23, 2021

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Support

The Greater Baltimore Committee (GBC) supports House Bill 1211 which establishes the Pre-Seed Builder Fund in the Maryland Technology Development Corporation (TEDCO) as a special, nonlapsing fund to support the development of start-up companies run by entrepreneurs from socially or economically disadvantaged backgrounds that hinder access to traditional forms of capital and executive networks at the pre-seed stage.

Entrepreneurs are challenged to gain access to capital to start or grow their business. Since the late 1970s, startups as a percentage of American businesses, has dropped from 15 percent to eight percent.

According to the Minority Business Development Agency in the U.S. Department of Commerce, minority-owned firms are more likely to receive lower loan amounts, pay higher interest rates, or be denied funding altogether. Other studies show that less than one percent of venture capital funding goes to minority founders annually.

Minority businesses in Maryland are disproportionately impacted by lack of access to capital. According to the Maryland Department of Commerce, Maryland is ranked seventh in the nation for percentage of minority owned firms. However, the percentage of minority owned firms sits just under 24 percent while the percentage of Marylanders who identify as minorities is 50 percent. These statistics reflect a need to implement more targeted policy initiatives that encourage robust investment in minority businesses.

By establishing a Pre-Seed Builder Fund in TEDCO specifically designed to aid entrepreneurs from socially or economically disadvantaged backgrounds, Maryland will take an important step in establishing an equitable playing field for minority businesses who historically have been unable to access needed funding.

In the Greater Baltimore Committee report *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, eight core pillars were identified for a competitive business environment. One of these essential pillars is **strategic and effective investments in business growth**. Strategic and effective investment includes the removal of inequitable barriers that stunt the growth potential of certain types of businesses. Increasing access to capital for minority businesses is a strategic and effective investment that will result in business growth.

House Bill 1211 also aligns with two of the key tenets of the GBC's *2021 Legislative Priorities*:

- **Advocacy for policy, funding, and regulatory solutions to accelerate economic recovery with an emphasis on support for small and minority-owned businesses.** Fostering the growth of new

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businesses that will provide jobs, increase tax revenue, and encourage consumer spending is one of the most effective ways to accelerate economic recovery.

- **Advocate for inclusive policies and programs that strengthen economic competitiveness and job creation.** A competitive economy is contingent upon equitable policy that affords minority businesses equal opportunities to participate in the Maryland economy.

For these reasons, the Greater Baltimore Committee urges a favorable report on House Bill 1211.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.