



Lead Center
7761 Diamondback Drive
College Park, MD 20742

MEMORANDUM

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

House of Delegates Committee on Ways and Means
Delegate Anne Kaiser, Chair
Delegate Alonzo Washington, Vice Chair

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

Lora Brown
Deputy Director, Maryland Small Business Development Center

DATE: February 19, 2021

SUBJECT: Small Business COVID-19 Relief Act of 2021
SB 772 (Senator Katie Hester) – **FAVORABLE**
HB 1014 (Delegate Lily Qi) – **FAVORABLE**

The Maryland Small Business Development Center (SBDC), whose staff has served entrepreneurs in every county and municipality of our state for more than thirty years, provides consulting services to owners of established small companies and to prospective entrepreneurs at no cost to those businesspeople. We also provide group training to current and future business owners wishing to hone their skills on matters both basic (*e.g.*, how to prepare a rudimentary business plan) and advanced (*e.g.*, various methodologies for determining return on investment).

In the last calendar year alone, 2020, your SBDC served over 9,000 clients: 3,716 through ongoing, often long term, one-on-one management, financial, marketing, and other consulting engagements; and 6,631 through our various group training programs. We helped those clients raise more than \$148.5 million in new capital, to help them stabilize their operations and, indeed, to help their companies grow during these unprecedentedly rough economic times. We supported the jobs of 53,731 Maryland workers,

ensuring that those workers would continue to contribute to the economic health of our state. And, despite the economic despair felt by so many of your constituents, last year we even helped launch some 267 Maryland startups who believe – as do we – that Maryland’s best economic days still lie ahead of us.

No wonder, then, that working through our offices at the University of Maryland - College Park (where our statewide network is headquartered), Salisbury University, Frostburg State University, Harford Community College, and the College of Southern Maryland – and in partnership with Morgan State University and Bowie State University – our statewide network has played a major role helping our small business sector grow during the good times and helping them overcome their harshest challenges during the bad times. And as a 2019 study by the Towson University Regional Economic Studies Institute noted, every dollar invested by the state in its SBDC generates roughly \$19 in new state and local business and employee taxes ... a 19:1 return on the state’s investment.

As we gather today to consider the Small Business COVID-19 Relief Act of 2021, introduced in the Senate by Senator Hester (SB 772) and in the House by Delegate Qi (HB 1014), our state’s small business owners are facing far different and more difficult challenges than they have ever faced before. Because when the COVID-19 pandemic struck Maryland in early 2020, our state’s small business sector was left reeling. Many companies went under, lacking the funding needed to stay afloat. And even many of those able to continue operations saw their revenues decline dramatically, making the continuation of those companies highly uncertain.

And so, as the pandemic worsened, the Maryland SBDC swung into action as never before. In every corner of our state – rural, suburban, and urban – our staff routinely worked twelve, fifteen, even eighteen hours day after day after day, helping business owners one at a time to make it through this bleakest of years. Our staff engaged our minds, suggesting to the merchants with whom we worked new marketing techniques, new ways to shift to eCommerce, and new ways to access the plethora of government funds designed to help those facing difficult circumstances threatening their very survival. The calendar year 2020 accomplishments cited on the previous page speak to the quantifiable, positive impact we have had, and continue to have, in nearly every community in our state during this pandemic. And our staff engaged our hearts, sharing the grief of tearful entrepreneurs whose life’s dreams had come to a crashing end through no fault of their own. The friendships we forged the past year with so many of those we worked with in the trenches speak to the special bond we and our clients often develop.

Those accomplishments, and that professional and personal impact we continue to have throughout the state, are at the heart of the legislation we are here to consider today, the Small Business COVID-19 Relief Act.

Subtitle 10 of this legislation – SB 772 and HB 1014, at Sections 10-1001 through 10-1004 (to which we will confine our remarks) may be summarized fairly readily: a COVID-19 Business Recovery Assistance Program is to be created and administered by the SBDC; the Program is to “provide the state’s business community guidance and resources to recover from the hardships of the Coronavirus pandemic and adapt to a post-pandemic business environment;” those services will be directed to the state’s most

vulnerable, and smallest, companies that have suffered significant revenue losses as a result of the pandemic; the services to be rendered them include providing access to nongovernmental funding, support for pivoting to a post-pandemic business environment, access to accounting, legal, and other needed services, and access to off-the-shelf business software; and the Program will do this, in part, through creation of a COVID-19 Business Recovery Assistance Fund, to be capitalized at \$20 million.

Stated differently, the proposed COVID-19 Business Recovery Assistance Program is designed to empower the SBDC to continue doing exactly what we have been doing and continue to be doing for small business owners throughout the pandemic, and it gives us additional monetary resources to serve even more Maryland companies.

We have learned that the most vulnerable small businesses with which we have been working often need protracted, specialized expertise which we do not currently provide (*e.g.*, accountants, lawyers). The SBDC therefore intends to use the funding, in part, to allow us to provide that often expensive expertise to our clients at no charge to them. For example, while we currently have the capability to work with clients to structure the taxonomy of a new website needed to allow the client to shift to an eCommerce platform, we do not have web designers on staff. We would use funds received under this program, therefore, to fund that needed expertise so that the client doesn't have to. And we would structure these services such that the client would have a choice among different experts we have assembled, to ensure that the expert selected by a client best matches the needs of that client. (Further, we would do so in compliance with University of Maryland and other relevant procurement requirements governing the selection, pricing, and delivery of external expertise.)

And note the multiplier effect: we envision that many of the external experts we would provide would themselves be small businesspersons.

Moreover, we would deploy client managers to ensure the initial vetting of the outside experts we will retain, and to provide ongoing oversight of their work with our clients, to ensure the level of performance envisioned in this legislation. This will ensure that each engagement yields the best possible outcome for our clients.

We therefore support enactment of Subtitle 10 of both SB 772 and HB 1014, for the following reasons:

- The SBDC needs more resources – and precisely the resources delineated in this legislation – to reach more of the state's entrepreneurs who seek our services;
- We are the only statewide organization currently doing for the small business community all that the legislation seeks to have done for them;
- Our ability to work successfully with owners of smaller companies dealing with pandemic related issues has been proven again and again;
- We recently bolstered the number of bilingual consultants and trainers we have on staff, giving us the capability to connect with Spanish speaking entrepreneurs, easily among the hardest hit communities struggling with COVID-19;
- We are currently in the midst of a staff reorganization which will result in a more intensive presence in Baltimore City and County, allowing us to better serve business owners in that historically underserved part of the state;

- Outreach to new clients – especially minority and women business owners – is crucial to this program’s success, and to unleashing the creativity of these entrepreneurs seeking to turn their business dreams into reality. These are leaders of some of the most vulnerable companies in our state, and are often bypassed by government and other economic development programs. Precisely because we already enjoy excellent relationships with an array of state, federal, local, academic, nonprofit, and for-profit economic development organizations throughout Maryland – and already partner with them on various client engagements – we are well positioned to do the additional outreach envisioned by this legislative proposal, to better assist underserved populations and communities to survive the current economic crisis; and to provide them the funds many will need to remain in business and, even, to grow;
- We have an outstanding relationship with the Maryland Department of Commerce, which is given considerable responsibility for other elements of the proposed legislation;
- We are well integrated within the larger body of University System of Maryland economic development programs (*e.g.*, UM Ventures, TechPort, Maryland International Incubator) which could complement the services we would offer under this new program;
- Subtitle 10 is modeled after an earlier state program, the Strategic Assistance Consulting Fund (SACF), with which we have worked ... allowing us, in the administration of the COVID-19 Business Recovery Assistance Program, to build upon prior lessons learned from that earlier program (both positive and negative); and
- We have proven our ability to manage successfully, and in compliance with all relevant government and University of Maryland requirements, the temporary federal CARES Act funds entrusted us to serve populations similar to the ones to be served under this proposed legislation.

As is the case with this legislation, SACF was created during a time of great fiscal stress for our state’s small business owners and, like this proposal, set forth a variety of services to be offered those hard hit entrepreneurs. From our experience working with that program, we well understand (as this legislation requires) the crucial importance of connecting together for the client both the receipt of money or other services of value with ongoing consulting and training. Why? Because just “throwing money at the problem” does nothing to help business owners transform their business models in ways that will increase their chances of long term survival. That was, perhaps, the key lesson learned from the SACF experience which is carried over to the current legislation; and we are pleased to see this key lesson from the earlier program incorporated within this one.

Yet another lesson we learned from our work with SACF is the importance of having enough administrative staff to ensure proper recordkeeping statewide for so large a sudden infusion of funding, yet small enough to ensure that the vast majority of the new funds go toward client services. Our current intention, therefore, is to fund no more than five – and possibly fewer – temporary new administrative positions during the life of the program, to ensure proper recordkeeping and compliance; with the vast majority of the \$20 million of new, and temporary, funds to be used for direct support of our state’s hardest hit entrepreneurs, as the legislation intends, in every section of our state.

Additionally, last year in Prince George’s County we participated in a somewhat similar program, working with the county government and FSC First to provide services similar to the one envisioned in this legislation to companies impacted negatively by construction of the Purple Line. Our staff has learned a number of in-the-weeds lessons through that similar work, and we would bring that knowledge to our management of this proposed program.

Finally, within the past year we already have had to adjust our operations to meet the new demands thrust upon us by the pandemic. This past Summer we received \$3.3 million of federal CARES Act funding, which permitted us – through September 2021, when the temporary funding comes to an end – to hire nearly two dozen temporary staff throughout the state to help thousands more struggling business owners, forcing us to confront a host of logistical, organizational culture, recordkeeping, reporting, compliance and other challenges that came with our receipt of that funding. That is to say: absorption of so much new money, as was the case with our receipt of CARES Act funding and which would be the case were this legislation to be enacted, requires dealing with an extraordinary array of organizational challenges; and we have proven we are up to meeting those challenges.

For these reasons, we support Subtitle 10 of the Small Business COVID-19 Relief Act of 2021 (SB 772, HB 1014). Maryland's beleaguered small business owners desperately need the assistance it would provide, and for the reasons set forth in this testimony the SBDC is uniquely poised to deliver that assistance.

February 18, 2021

Delegate Anne Kaiser
Chair, House Committee on Ways and Means
Room 131
House Office Building
Annapolis, MD 21401

Reference: HB 1014 - Small Business COVID-19 Relief Act of 2021 - **FAVORABLE**

Dear Delegate Kaiser:

My name is Julie Lenzer and I am currently the Chief Innovation Officer at the University of Maryland (UMD). I currently oversee several innovation and entrepreneurship programs at the university, including UM Ventures (technology transfer), TechPort (UAS Incubator in St. Mary's County), and the Maryland Small Business Development Center (SBDC).

I am writing to express UMD's support for the "Small Business COVID-19 Relief Act of 2021," introduced in the House of Delegates by Delegate Lily Qi (HB 1014). My focus is on Subtitle 10 of the Act, "Business Recovery Assistance Program."

The SBDC has emerged as a critical resource in helping Maryland small business owners not just survive but thrive through the pandemic.

In the last year alone, the SBDC staff served more than 9,000 Maryland entrepreneurs in all parts of our state: 3,716 through ongoing, often long term, one-on-one management and financial consulting and 6,631 through its various training programs. Most of their programs are provided at no cost to clients. With the assistance of the SBDC, clients have raised over \$148.5 million in new capital --- both private and governmental - to help them stabilize their hard hit operations. Many, despite the pandemic, have actually seen growth through these turbulent times. Additionally, over the past year, SBDC has supported 53,731 jobs, keeping Maryland workers productively employed and helped entrepreneurs launch 267 startups.

Subtitle 10 confidently builds upon this SBDC record of accomplishment during the pandemic.

This legislation builds on the most important lesson learned by the SBDC during the pandemic: the importance of providing extended support to hard hit companies. Experience has shown that providing money to small businesses without helping them pivot strategically all-too-often results in the company lasting a few more months only to face existential problems again. By requiring the combination of business consulting along with the disbursement of funding, the companies emerge positioned for resiliency and long-term success.

Subtitle 10 COVID-19 Business Recovery Assistance Program also recognizes the expertise within the SBDC to run a program like this, because the SBDC has successfully managed similar programs in the past (*e.g.*, Strategic Assistance Consulting Fund). Housing this program with the



SBDC, within the University of Maryland - College Park, also allows program beneficiaries to take advantage of synergies with the other UMD economic development programs I oversee.

For all these reasons, the University of Maryland enthusiastically supports the legislation offered by Delegate Qi. Maryland's small businesses need this support right now. Having this program operated through Maryland's proven leader in successfully providing a lifeline to our state's most vulnerable entrepreneurs during this pandemic, the SBDC, together with the backing and support from UMD positions this program to bolster our state's economy and become a national model for smart government support for small business.

Please don't hesitate to contact me if you have questions or would like additional information. I can be reached via email at jlenser@umd.edu or via phone at (301) 405-2960. Thank you in advance for your consideration.

Sincerely,

A handwritten signature in blue ink, which appears to read "Julie Lenzer". The signature is written in a cursive, flowing style.

Julie Lenzer
Chief Innovation Officer

Valleywood Industries Inc.

February 16, 2021

Dear Senator Hester and Delegate Qi:

My name is Charles Walcutt, owner of Valleywood Industries Inc., a leading Baltimore area remanufacturer of wooden pallets and recycler of wood products, located at 6517 Landay Avenue, Baltimore, Maryland. I am a blind business owner and i'm writing in support of SB772/HB1014, the Small Business Covid-19 Relief Act of 2021.

In 2009, my company received a Strategic Assistance Consulting Fund (SACF) grant to provide much needed accounting assistance to the company. In 2009 and for several years prior, the company was seriously underperforming financially and it was apparent that something was wrong. SBDC Consultant Craig Panos analyzed the situation and processed my SACF grant application that allowed accountant Darlene Adams to conduct an audit of my business operations. Ms. Adams' audit revealed serious irregularities in the manner in which the production staff had been reporting the number of pallets produced. Additionally, Ms. Adams provided us with some basic cost accounting methods which gave us the tools to better understand of our basic costs. Once we followed the control measures from the audit our financial results turned around very significantly. We began to show substantial profits that we had not experienced before, and which continue today. We are now in our 45th year, are the oldest wood recycler in Maryland, and have enjoyed a 15% increase in revenues during 2020 over the prior year.

I believe that this grant contributed substantially to our continued success.

The SACF grant enabled Valleywood to turn around its financial results in 2009, during a serious economic slowdown, and so I am confident that SB772/HB1014 can similarly provide much needed help to other businesses who are struggling to survive the current pandemic business conditions.

Yours truly,



Charles Walcutt, Owner
Valleywood Industries Inc.

6517 Landay Avenue, Baltimore, Maryland 21237