

GOVERNOR'S TASK FORCE ON

SMALL BUSINESS

A Report To Governor Martin O'Malley
To Strengthen & Support
Maryland Small Businesses

DECEMBER 2009

MARYLAND OF OPPORTUNITY.

Governor’s Task Force on Small Business

***Report to the Governor to Strengthen and Support
Maryland’s Small Businesses***

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MEMORANDUM ON SMALL BUSINESS

To: The Honorable Governor Martin O'Malley
From: Ackneil Muldrow, Chairman, Governor's Task Force on Small Business
Christian Johansson, Secretary, Maryland Department of Business &
Economic Development
Date: December 9, 2009
Re: Governor's Task Force on Small Business Report of Small Business Issues,
Recommendations and Implementation Strategies

We are pleased to submit the enclosed *Report of Issues and Recommendations of the Governor's Task Force on Small Business* on behalf of the Task Force members. In doing so, we would like to commend the work of this group and to let you know of their continued interest in advancing your work in the area of small business development.

Meetings and Subcommittee Structure

At your direction, this past August the first Governor's Task Force on Small Business was convened to identify issues of importance to small businesses that could be addressed during the 2010 Legislative Session or through other avenues within a timeframe corresponding with that of the general session. The Task Force tackled its mission through full group discussions, committee work and outreach to small businesses and State policymakers and service providers.

Findings and Recommendations

Having completed their work, the Task Force members have instructed the Maryland Department of Business and Economic Development (DBED) to submit for your consideration issues and recommendations spanning access to capital, procurement, regulatory, sustainability, and workforce concerns. The following highlights are an indication of the importance of their work and ours, in State Government, going forward.

- Establish a center for small business excellence under DBED's jurisdiction and a standing Maryland Small Business Commission.
- Retool State financing programs to compliment federal and private sector offerings for small businesses.
- Extend the State's Small Business Reserve Program, and define small business as it pertains to State assistance and opportunities.
- Streamline and fast track regulatory review processes.
- Centralize and effectively market workforce resources.

The Task Force members asked that we express their gratitude for the opportunity to serve, as have the staff and others that supported the work of the team. We look forward to successful resolution of the expressed concerns in the months to come.

GOVERNOR’S TASK FORCE ON SMALL BUSINESS

REPORT TO THE GOVERNOR TO STRENGTHEN SMALL BUSINESS

Executive Summary

The Governor’s Task Force on Small Business was established by Governor O’Malley to advocate measures, identify barriers and solicit input on issues of importance to the sustainability and growth of Maryland small businesses. The task force was charged to recommend strategic actions for consideration by the Governor and legislators for implementation during the 2010 General Assembly or through other avenues within a time corresponding with the general session.

Convened by the Maryland Department of Business and Economic Development (DBED), the Task Force identified issues, recommendations, and implementation strategies within five priority areas. Noting its ad hoc status and the critical value of an ongoing group, the Task Force included in its recommendations the establishment through legislation of a Governor’s Commission for Small Business (see Recommendation IV-1 below) to serve in an advisory capacity to the Secretary of DBED on small business concerns.

STRATEGIC DIRECTIONS	ISSUES	RECOMMENDATIONS	IMPLEMENTATION STRATEGIES
I. Increase Access to Capital	1. Access to credit is a critical lifeline.	Maximize the flexibility of the Maryland Industrial Development Financing Authority.	Executive Order
	2. State lending programs have a minimal return for lenders.	Modify existing programs to make lending more attractive to banks.	Legislation
	3. Small businesses and service providers are unaware of many financing opportunities.	Publish an online master list of active programs at the local, state, and federal levels.	Interagency Collaboration & Outreach
	4. The State’s loan application process is cumbersome.	Simplify the process for banks and clients; consider a universal loan document.	Executive Order

STRATEGIC DIRECTIONS	ISSUES	RECOMMENDATIONS	IMPLEMENTATION STRATEGIES
II. Expand Small Business Procurement	1. The Small Business Reserve (SBR) Program is due to sunset this year.	Extend the program for six years.	Legislation
	2. The State has no guidelines for SBR compliance enforcement.	Post agency performance online publically.	Executive Order
	3. The Small Business Preference Program (SBP) limits required participation to five overarching procurement “control” agencies.	Explore extending SBP required participation to all SBR agencies.	Letter of Referral to the Governor’s Commission on Small Business
	4. Procurement education and marketing enhancement are needed.	Consider an electronic portal to publicize opportunities and how to access them.	Interagency Memorandum of Understanding
	5. There is no uniform State definition for small business.	Refer for review existing procurement and other program definitions.	Letter of referral to the Governor’s Commission on Small Business
III. Streamline Regulatory Process	1. The processing time for most permits is too lengthy.	Create a fast track, electronic system for streamlining and accelerating licensing and permitting approval.	Executive Order
	2. Conflicting layers of regulatory compliance increase small business operating costs.	Review to create less burdensome operations for small business.	Letter of Referral to the Governor’s Commission on Small Business

STRATEGIC DIRECTIONS	ISSUES	RECOMMENDATIONS	IMPLEMENTATION STRATEGIES
	3. Regulatory information needs to get through to the business public.	Provide direct links and systems for accessing regulatory information for the vast network of small business organizations.	Interagency Collaboration & Outreach
IV. Establish Strong Advocacy to Sustain Small Businesses	1. State Government does not have a statewide, policy level advisory entity for small business.	Establish an ongoing Governor's Commission for Small Business to serve in an advocacy capacity to the Secretary of DBED.	Legislation
	2. Programs to help small businesses compete and grow are difficult to identify, understand and use.	Review the feasibility of establishing a center for small business excellence in DBED.	Letter of Referral to the Governor's Commission for Small Business.
V. Eliminate Employment Barriers	1. Access issues present barriers to job creation and employment.	Centralize and effectively market workforce resources to help match talented companies with resources, including workers and workforce development incentives.	Interagency Collaboration & Outreach
	2. Seasonal and short-term contractual employment terminations result in higher unemployment insurance rates.	Review for modifications to the unemployment insurance program to eliminate penalties to small businesses.	Letter of Referral to the Unemployment Insurance Oversight Committee

Mission

The Governor's Small Business Task Force (Appendix A) was cultivated from a diverse group of owners and CEO's representing a cross section of the Maryland's small business community and Maryland legislators. The group was convened to advocate measures, identify barriers and solicit input on issues of importance to the sustainability and growth of Maryland small businesses. The Task Force was charged with recommending strategic actions for consideration by the Governor and legislators for implementation during the 2010 General Assembly session or through other avenues within a timeframe corresponding with that of the general session.

The Governor tasked Maryland Department of Business and Economic Development (DBED) Secretary Christian Johansson with convening the first Governor's Task Force on Small Business, and the inaugural meeting was held on August 30, 2009. Under the Secretary's guidance, the Task Force members agreed to:

- Organize five committees: Access to Capital, Procurement, Regulatory, Sustainability, and Workforce.
- Submit recommendations that could be achieved quickly, easily and cost effectively.
- Identify the best vehicles to execute recommendations (executive order, legislation, policy, and others).
- Submit recommendations in the form of a report to the Governor for transmittal to Governor O'Malley in December 2009.

Membership & Work Process

The Task Force conducted four meetings in 2009, on August 30, September 28, October 26, and November 16, with the recommendations being presented to Governor O'Malley on December 9. A sixth and final meeting to review the Governor's response and address next steps may be advised following the Governor's review.

Committees (Appendix B) were formed in the subject areas recommended by Secretary Johansson and agreed to by the Task Force. The process utilized by the committees for gathering and discussing information and for reporting recommendations included in-person and conference call meetings as well as contacts with external resources. The Task Force was staffed by Jorge Austrich, Program Director of DBED's Office of Business Services, and other representatives from the Agency as well as the Maryland Department of Housing and Community Development (Appendix C).

The Task Force's work will conclude upon receipt of the Governor's response to this report and communication of any subsequent recommendations for next steps and closure.

Issues, Recommendations & Implementation Strategies

Committee I: Access to Capital

The Committee was charged with conducting an economic environmental scan to identify programs or opportunities for small businesses to access capital through debt or equity.

Issue I-1: The ability to access credit is a critical lifeline for many small businesses. The availability of credit, to even credit-worthy borrowers, sharply declined during the recession due to heightened lending standards and increased conservative banking practices. The lack of sufficient collateral to meet current lending standards is a common small business barrier to obtaining credit.

Recommendation: While it is not possible for the government to fill the lending gap, the State can unlock in excess of \$6.00 of bank lending for each \$1.00 of State guaranty funding. DBED could take advantage of the flexibility in the Maryland Industrial Development Financing Authority (MIDFA) program to increase support to small business lending in an expedited process while maintaining reasonable credit quality. A portion of MIDFA would be reallocated specifically for small business guarantees and that the State should consider additional funding for this critical initiative.

Implementation: DBED Internal Application

Issue I-2: Financial institutions are not eager to use state financing incentive programs due to the minimal return of lending compared to the cost of lending and administration.

Recommendation: Modify existing programs to make lending more attractive to the banks. For example, the State's Linked Deposit Program has a \$50 million funding authority of which only approximately \$3 million has been funded to date. Currently, banks receive CD money from the State in exchange for reducing market rates on term loans by 2 percent. The state receives .25 percent in interest income back from the CD.

The State could opt to place monies into non-interest bearing accounts, thereby making the program more attractive to the banks by improving their margin. Another option would be to create a formula-driven rate reduction in which the reduction would be the net of the current CD rate less .25 percent. Preferably, DHCD might also be allowed to lend the funds directly to qualified MBE's with a return of 3 to 5 percent. Linked Deposit would then become a revolving loan fund and be able to replenish itself. This would provide for direct access to capital for MBE's without a bank intermediary. DHCD has the resources to originate, underwrite, service and asset management these loans.

Implementation: Legislation

Issue I-3: Barriers exist to available financing opportunities, incentive programs, resources, and services for small businesses, small business professionals, and government agencies due to limited knowledge and communication.

Recommendation: Create a master list of the active existing programs at local, state, and federal levels making “Maryland Access to Capital for Small Business” information available on DBED’s and other applicable Maryland websites to include those of the following: United States Small Business Administration, financial professionals and institutions, certified public accountants, business attorneys, local chambers of commerce, and other public and private organizations promoting and assisting small businesses.

Implementation: DBED Internal Application, Small Business Community Network Outreach

Issue I-4: The application process for State Government backed loans is cumbersome and onerous, increasing processing time for review and determination.

Recommendation: Simplify the process for banks and clients for making government backed loans. For example, the State might consolidate all of its loan applications into one universal document.

Implementation: Executive Order

Committee II: Procurement

The Committee was charged to address the need for change to existing procurement programs to enhance the services available to small businesses in Maryland.

Issue II-1: The Small Business Reserve Program is due to sunset this year.

Recommendation: Extend the Small Business Reserve Program for six years.

Implementation: Legislation

Issue II-2: There are no enforcement guidelines to help ensure State agency compliance with the goals and objectives for small business procurement.

Recommendation: Direct the Governor’s Office of Minority Affairs (GOMA) to develop a transparency of reporting for the Small Business Reserve Program (SBR), adding numbers that are currently tracked on the Program and supplied to StateStat to be posted to GOMA’s website monthly.

Implementation: Executive Order

Issue II-3: The Small Business Preference Program (SPP) requires that only the following State procurement control agencies give small businesses a four percent handicap offset in the bidding process if the technical portion of the procurement is met: the Maryland Department of General Services, Maryland Department of Budget and Management, Maryland Department of Information Technology, and Maryland Department of Transportation.

Recommendation: Explore extending the Small Business Preference Program to include all of the Small Business Reserve agencies, and identify and enforce measures to help ensure less subjective application of the “preference” rule through the Governor’s Commission on Small Business.

Implementation: Letter of Referral to the Governor’s Commission on Small Business

Issue II-4: Education and marketing enhancements are needed to make small businesses aware of the multitude of programs available to assist them in the State’s procurement process.

Recommendation: Consider using an electronic portal with a key word search feature that links available State programs, including those proposed for the DBED website.

Implementation: Interagency Memorandum of Understanding

Issue II-5: There is no uniform definition for small business across State programs.

Recommendation: Refer for review the existing procurement and other program definitions of small business by the Governor’s Commission on Small Business to create a uniform definition.

Implementation: Letter of Referral to the Governor’s Commission on Small Business

Committee III -- Regulatory

The Regulatory Committee’s goal was to identify problem areas and create action points to improve regulations that affect small businesses in Maryland, giving critical attention to issues regarding permitting, State response times and fiscal impact.

Issue III-1: The processing time for most permits is too lengthy. Multiple agencies within the same department, multiple departments, multiple permits, and multiple public comment times extend businesses’ project life. Requirements for some public opinion can be as much as 45 days.

Recommendation: Streamline the process, creating a fast track system for licensing and permitting approval, and appropriate funds to accelerate establishment of the technology based “Central Business Licensing” system being developed at DBED.

Implementation: Executive Order

Issue III-2: Conflicting layers of regulatory compliance and associated expenses increase operating costs for small businesses. Fiscal notes are not consistently required to reflect the dollar amount of the impact of new legislation.

Recommendation: Refer a review of Maryland’s administrative law processes and procedures to the Governor’s Commission for Small Business to create less burdensome options for small business.

Implementation: Letter of Referral to the Governor’s Commission for Small Business

Issue III-3: A high volume of positive information—including regulatory information—needs to be disseminated to the business community.

Recommendation: As an enhancement to DBED’s website and those of other State agencies serving businesses, add information on regulatory processes with direct links to and systems for communication with chambers of commerce, the Maryland General Assembly, economic development offices, trade associations and other strategic partners.

Implementation: DBED Internal Application, Procurement Community Network Outreach

Committee IV - Sustainability

The Committee was charged with identifying vehicles to provide economic stabilization and growth for small businesses to create a level playing field for small businesses to strategically generate cash flow.

Issue IV-1: State Government does not have a statewide, policy level entity to voice concerns and advocate on behalf of small businesses.

Recommendation: Establish an ongoing Governor’s Commission for Small Business to serve in an advisory capacity to the Secretary of DBED on small business issues, resources, and services, including assistance in steering directions and reviewing priorities for the proposed small business center for excellence.

The Commission shall be structured to include rotating terms for representatives from Maryland small businesses, economic development and trade organizations, and small business service organizations. Specific recommendations shall be included in the referral to integrate representation from the Task Force to the Commission for Small Business and the Commission for Small Business to the Economic Development Commission and to define small business by distinct size segments.

Implementation: Legislation

Issue IV-2: Programs to assist small businesses to compete and grow are not coordinated through a comprehensive, structured initiative, making it difficult for companies to identify and utilize resources supportive of business planning, financing, and marketing.

Recommendation: Refer for feasibility review by the Governor’s Commission for Small Business the establishment of a Maryland small business center for excellence as an initiative of DBED’s Office of Small Business. Include specific recommendations for the development of a web portal, outreach campaign, and strategic plan with a service delivery venue and technical assistance partnerships for service and referrals to sustain Maryland small businesses.

Implementation: Letter of Referral to the Governor’s Commission for Small Business

Committee V: Workforce

The Workforce Committee’s objective was to recommend vehicles to eliminate barriers to employment.

Issue V-1: “Access” issues present barriers to job creation and employment. Small business owners need clear direction on where to go in government for assistance in navigating the mass of information available to help employers with job creation and retention, workforce development, and other services of benefit during transition that can accompany times of growth and downturn.

Recommendation: Centralize and effectively market workforce resources to help match talented companies with resources, including workers and workforce development incentives (job creation tax credits, training grants, apprenticeships, and others). DBED, the Department of Labor, Licensing, and Regulation (DLLR) and other “sister” agencies in State Government have a vast interagency network and web-based systems for use in cataloguing and marketing State workforce development assets.

Implementation: DBED and DLLR Internal Applications, Memorandums of Understanding, Interagency Agreements, “Sister” Agency Network Outreach

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- Issue V-2:** Existing unemployment insurance regulations require that employers pay higher rates for increased layoffs, including terminations resulting from seasonal and short-term contractual employment.
- Recommendation:** Refer for feasibility review by the Unemployment Insurance Oversight Committee modification to the unemployment insurance program so that small businesses that explicitly employ individuals for a period of less than 12 months are not penalized with an increase in unemployment insurance ratings once the employment terms end.
- Implementation:** Letter of Referral to the Unemployment Insurance Oversight Committee

APPENDIX A

GOVERNOR'S SMALL BUSINESS TASK FORCE MEMBERS

Small Business Members

Ackneil M. Muldrow II, Chair

Chief Executive Officer, Parker Muldrow & Associates, LLC

Marilyn Blandford

President, Miltec UV

Roland O. Campbell

President/CEO, ROC Realty Group

Elda Devarie

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Senior Vice President, The Columbia Bank

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Gregory P. Thompson

Vice President, SURVICE Engineering Company

John Walters

President/CEO, Walters Relocations, Inc.

Robert L. Wallace

President & CEO, BITHGROUP Technologies, Inc.

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Senator George C. Edwards (B&T)

Maryland Senate

Delegate Adrienne A. Jones

Maryland House of Delegates

Delegate James J. King

Maryland House of Delegates

Senator Kathy Klausmeier

Maryland Senate

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Renee Sprow

State Director, Maryland Small Business Development Center Network (SBDC)

Stephen Umberger

Director, United States Small Business Administration, Baltimore District Office

APPENDIX B

COMMITTEE ASSIGNMENTS

Committee I: Access to Capital

Ackneil M. Muldrow II, Chair

Chief Executive Officer, Parker Muldrow & Associates, LLC

Annie Geiermann, Co-Chair

Senior Vice President, The Columbia Bank

Delegate James J. King

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Raymond A. Skinner

Secretary, Department of Housing & Community Development (DHCD)

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President/CEO, Walters Relocations, Inc.

Stephen Umberger

Director, United States Small Business Administration, Baltimore District Office

Committee II: Procurement

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President/CEO, Walters Relocations, Inc.

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Joan Cadden

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Senator George C. Edwards

Maryland Senate

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Committee IV: Sustainability

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Association

Renee Sprow

State Director, Maryland Small Business
Development Center Network (SBDC)

Committee V: Workforce

William F. Simmons, Chair

President CEO, Group Benefit Services, Inc.

Wayne Strausburg, Co-Chair

English Company, English Family Restaurant

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APPENDIX C

SMALL BUSINESS TASK FORCE STAFF

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APPENDIX D

ACKNOWLEDGEMENTS

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