

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 492  
 Appropriations

(Delegate B. Barnes, *et al.*)

**Small Business Development Center Network Fund - Minimum Appropriation**

This bill increases the minimum general fund appropriation to the Small Business Development Center (SBDC) Network Fund that the Governor must include in the annual budget bill to \$1.5 million beginning in fiscal 2022. **The bill takes effect July 1, 2020.**

**Fiscal Summary**

**State Effect:** No effect in FY 2021. General fund expenditures increase by \$550,000 annually beginning in FY 2022. Special fund revenues and expenditures increase correspondingly and may further increase from additional federal or other matching funds, as discussed below. **The bill increases a mandated appropriation beginning in FY 2022.**

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF/FF Rev.	\$0	\$550,000	\$550,000	\$550,000	\$550,000
GF Expenditure	\$0	\$550,000	\$550,000	\$550,000	\$550,000
SF Expenditure	\$0	\$550,000	\$550,000	\$550,000	\$550,000
Net Effect	\$0	(\$550,000)	(\$550,000)	(\$550,000)	(\$550,000)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill does not materially affect local government finances or operations.

**Small Business Effect:** Meaningful; additional funding for SBDC enables it to enhance its services for small businesses.

**Analysis**

**Current Law:** The Governor is required to include in the annual budget bill a general fund appropriation of at least \$950,000 to the SBDC Network Fund. The current amount was established by Chapter 712 of 2012, which increased the minimum from \$750,000.

**Background:** SBDC offers free business consulting services to new and existing small businesses. The counseling provided ranges from best practices to financing to bringing all appropriate or applicable resources to the table. The network is organized across five regions, with more than 20 offices located throughout the State. Each SBDC must partner with at least one institution of higher education, and in the aggregate, the State must provide at least a one-to-one match to receive federal funds.

The SBDC Network Fund is administered by the University of Maryland, College Park Campus (UMCP). SBDC advises that its annual budget is about \$4.6 million each year, although there are fluctuations. In addition to the annual State appropriation of \$950,000, SBDC receives about \$2.3 million in federal funds from the U.S. Small Business Administration (SBA) each year, subject to the one-for-one matching requirement. The remaining funding, which is a combination of cash and in-kind contributions, is provided through voluntary arrangements with local governments, institutions of higher education, and various foundations/financial institutions/grants.

SBDC employees are either State or local employees, depending on the institution of higher education with which they are affiliated (currently UMCP, Salisbury University, Frostburg State University, Harford Community College, or the College of Southern Maryland).

**State Fiscal Effect:** General fund expenditures increase by \$550,000 annually beginning in fiscal 2022. SBDC special fund revenues increase correspondingly from the State's appropriations. This estimate assumes that the Governor would otherwise appropriate the minimum required amount each year, as is the case in the Governor's proposed fiscal 2021 budget.

SBDC currently has sufficient funding to receive the full potential federal match from SBA. However, SBDC advises that, while not required by the bill, it intends to attempt to seek out additional federal and/or other matching funds with some of the additional funding provided by the bill. Therefore, SBDC special fund revenues further increase beginning in fiscal 2022, up to the amount of additional general funds available each year.

Special fund expenditures increase correspondingly as the funding made available through additional general funds and matching funds is expended to support SBDC operations.

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### **Additional Information**

**Prior Introductions:** SB 243 of 2019, a similar bill, received a hearing from the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 1327, received an unfavorable report from the House Appropriations Committee after a hearing in the committee.

**Designated Cross File:** SB 493 (Senator Kramer, *et al.*) - Budget and Taxation.

**Information Source(s):** Department of Budget and Management; University System of Maryland; Small Business Development Center; Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2020  
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