

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 969  
 Rules

(Senator McCray)

**Economic Development - Success Assurance Model and Fund - Establishment**

This bill establishes the Success Assurance Model and Fund (SAF) in the Department of Commerce to provide comprehensive and targeted professional business services to small businesses. Under the program, Commerce selects a managing nonprofit and administers SAF in consultation with the managing nonprofit. With the approval of Commerce, the managing nonprofit must select a coordinating service provider to carry out the daily operations and responsibilities of the program, including receiving grants from SAF and distributing payments to professional service entities that provide business services. SAF covers 75% of the cost of business services, with the small business responsible for the remaining 25%. For fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$4.0 million to SAF. By December 1, 2024, and annually thereafter, Commerce must report related information to the General Assembly. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$4.0 million annually beginning in FY 2025, which assumes discretionary funding is provided beginning in FY 2026. Special fund revenues and expenditures increase correspondingly as funds are received and used for authorized purposes. **This bill establishes a mandated appropriation for FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$4.0	\$4.0	\$4.0	\$4.0
GF Expenditure	\$0	\$4.0	\$4.0	\$4.0	\$4.0
SF Expenditure	\$0	\$4.0	\$4.0	\$4.0	\$4.0
Net Effect	\$0.0	(\$4.0)	(\$4.0)	(\$4.0)	(\$4.0)

*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:** Potential meaningful.

## Analysis

### Bill Summary:

#### *Success Assurance Fund*

SAF is established as a special, nonlapsing fund to award grants to the coordinating service provider, which must be disbursed as payment to professional services entities that have been selected to provide business services to small businesses under the bill. SAF consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. SAF may be used only for awarding grants to the coordinating service provider and administrative expenses of the program.

For fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$4.0 million to SAF. Expenditures from SAF may be made only in accordance with the State budget. Interest earnings accrue to the general fund. SAF is subject to audit by the Office of Legislative Audits (OLA) as provided in the State Government Article.

#### *Managing Nonprofit*

Commerce must select a managing nonprofit to oversee the administration of the program and hire and manage a coordinating service provider. The nonprofit must be based in the State and:

- have the management capacity to coordinate the program;
- be equipped to receive grants; and
- have at least 15 years of experience with (1) providing loans and equity investments to small businesses in the State and (2) advising, supporting, and mentoring small businesses in the State.

#### *Coordinating Service Provider*

With the approval of Commerce, the managing nonprofit must select a coordinating service provider to carry out the daily operations and responsibilities of the program. The coordinating service provider is responsible for receiving grants and distributing payments from SAF to professional services entities that are providing business services.

#### *Application for Business Services*

To apply to receive business services from a professional services entity under the program, a small business must submit an application to the coordinating service provider that

includes specified information, including supporting financial information and, if applicable, the name of a professional services entity that the small business requests to receive business services from and the basis for the request. Commerce must establish and maintain an electronic portal on the department's website that enables a small business to submit an application.

The coordinating service provider, in consultation with the managing nonprofit, must approve or deny the application based on specified criteria, including, among other things, a determination that the small business is in good standing with the State Department of Assessments and Taxation and available program funding.

#### *Selection of Professional Service Entity*

Subject to the approval of Commerce, the coordinating service provider and the managing nonprofit must establish a competitive process for professional services entities to submit bids to provide business services to small businesses that have had their applications approved under the program.

The coordinating service provider, with the approval of the managing nonprofit, must select a professional services entity to provide business services to a small business based on specified factors, such as the type and proposed cost of the business services that will be provided and the expertise of the professional services entity to provide the specific business services.

The coordinating service provider and the managing nonprofit must consider bids from at least two professional services entities before selecting a professional services entity to provide business services to a small business. Once a professional services entity is selected, the coordinating service provider must conduct an entrance interview with the small business, the professional services entity, and a representative from the managing nonprofit to identify specific strengths and weaknesses of the small business and areas that should be the focus of the business services that will be provided by the professional services entity.

#### *Provision of Services*

A selected professional services entity may provide business services to a small business once a business services agreement has been executed. The agreement must include specified information, such as the total cost of the business services and related terms and conditions. The small business is responsible for 25% of the cost of the services and SAF pays the remaining 75%.

Until all business services are provided to the small business by the professional services entity or the business services agreement is terminated, the coordinating service provider must (1) regularly hold meetings with the small business and the professional services entity to ensure that business services are being provided in a timely and efficient manner and (2) provide the managing nonprofit with status updates on the progress of the business services that are being provided to the small business.

**Current Law:** No comparable program exists in Commerce; the department's programs generally offer grants, loans, and tax credits rather than paying for business services. Commerce does contract out for the administration of certain programs, such as the Maryland Small Business Development Financing Authority.

Commerce's Office of Finance Programs is charged with delivering and administering the department's financial incentive and tax credit programs. According to the department's *Consolidated Incentives Performance Report*, Commerce programs approved \$37.1 million in grants and loans and certified \$33.3 million in tax credits in fiscal 2022. A more comprehensive list of financial incentives available for Maryland businesses can be found on Commerce's [website](#).

**State Fiscal Effect:** Commerce advises that the bill's requirement to contract with a managing nonprofit, which must in turn select a coordinating service provider, allows existing department staff to handle any remaining duties associated with the program within existing budgeted resources. This analysis assumes that \$4.0 million is provided to SAF in fiscal 2025, consistent with the timing of the bill's mandated appropriation, and that \$4.0 million in discretionary funding is provided each year thereafter. While the amount that the managing nonprofit and the coordinating service provider will be paid under the bill is unknown, this estimate assumes 15% of total funding each year is sufficient to cover both expenses.

Accordingly, general fund expenditures increase by \$4.0 million annually beginning in fiscal 2024. Special fund revenues and expenditures increase as funds are received and used for authorized purposes. This estimate assumes that \$600,000 is provided to the managing nonprofit/coordinating service provider and the remaining \$3.4 million is used for payment to professional service entities to defray the costs of their services to small businesses each year. As that assumed level of funding represents 75% of the costs, services totaling \$4.5 million may be provided under the program to small businesses (with the small businesses receiving the services responsible for the other \$1.1 million in costs). Funding available for payment to professional service entities varies with actual funding provided and actual administrative costs for the managing nonprofit and coordinating services provider.

OLA can incorporate SAF into its ongoing audits of Commerce with existing budgeted resources.

**Small Business Effect:** Small businesses benefit from technical business services provided at a discounted rate under the program; depending on the particular small business and the amount of services provided, the effect may be meaningful. Small professional services businesses may also benefit from participation in the program.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Department of Commerce; Department of General Services; Maryland Department of Transportation; Maryland Department of Labor; Department of Legislative Services

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