

**SB0252 -- 03.02.21 --Minority Business Enterprise**

Uploaded by: Fry, Donald

Position: FAV



# POSITION STATEMENT

## TESTIMONY PRESENTED TO THE SENATE FINANCE COMMITTEE

### SENATE BILL 252 – MARYLAND SMALL BUSINESS DEVELOPMENT FINANCING AUTHORITY - MINORITY BUSINESS ENTERPRISE PROCUREMENT CONTRACT FINANCING PROGRAM

**Sponsor – Senator Ellis**

**March 2, 2021**

**DONALD C. FRY  
PRESIDENT & CEO  
GREATER BALTIMORE COMMITTEE**

#### **Position: Support**

The Greater Baltimore Committee (GBC) supports Senate Bill 252, which creates the Minority Business Enterprise Procurement Contract Financing Program and Fund within the Maryland Small Business Development Financing Authority. The Program's purpose is to provide working capital to qualified minority business enterprises with a net worth under \$2 million in order to facilitate their ability to compete for state procurement contracts.

The GBC has been actively involved in supporting businesses as they weather the ill effects of the pandemic, restrictions limiting business operations, and the resulting negative economic impact on the business. To address the challenges and to help businesses recover, the Greater Baltimore Committee created the GBC COVID-19 Business Recovery Advisory Council. The advisory council, comprised of business executive of Baltimore regional businesses, was formed to provide assistance, create programs, and make policy recommendations to benefit small and minority-owned businesses.

One of the advisory council's major recommendations identified the importance of promoting and supporting efforts to increase access to capital for small and minority-owned businesses, including both traditional and non-traditional capital sources. Senate Bill 252 would provide small and minority business owners with access to capital during a very difficult business cycle.

Senate Bill 252 is also consistent with the GBC's *2021 Legislative Priorities*, which calls for policy, funding, and regulatory solutions to accelerate economic recovery with an emphasis on support to small and minority-owned businesses. The creation of the Minority Business Enterprise Procurement Contract Financing Program and Fund to benefit Maryland's small minority-owned businesses will provide much needed assistance to businesses to recover from the negative economic impact brought by the coronavirus pandemic and keep countless Maryland businesses viable.

#### **For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 252.**

*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.*

**GREATER BALTIMORE COMMITTEE**

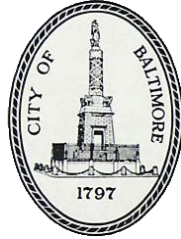
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**SB0252-FIN-FAV.pdf**

Uploaded by: Mehu, Natasha

Position: FAV



**BRANDON M. SCOTT**  
MAYOR

*Office of Government Relations  
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**SB0252**

March 2, 2021

**TO:** Members of the Finance Committee

**FROM:** Natasha Mehu, Director of Government Relations

**RE:** SENATE BILL 252 – Maryland Small Business Development Financing Authority – Minority Business Enterprise Procurement Contract Financing Program

**POSITION: SUPPORT**

Chair Kelley, Vice Chair Feldman, and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **supports** Senate Bill (HB) 252.

SB 252 establishes a Minority Business Enterprise Procurement Contract Financing Program. The program provides working capital to qualified minority business enterprises in order to assist their ability to enter into and complete state procurement contracts.

This program would further the goals of supporting and growing minority businesses enterprises within the State. The program would encourage minority businesses to seek out and help complete state procurement contracts. Within the program, it is important to note that if the State passes sports wagering legislation, 10% of the total revenue received by the state due to sports wagering would be dedicated to this program.

We respectfully request a **favorable** report on Senate Bill 252.

**SB 252\_MSBDFA Alteration\_LOI.pdf**

Uploaded by: Schulz, Kelly

Position: INFO



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
Kelly M. Schulz | Secretary of Commerce

**DATE:** March 2, 2021  
**BILL NO:** Senate Bill 252  
**BILL TITLE:** Maryland Small Business Development Financing Authority – Minority Business Enterprise Procurement Contract Financing Program  
**COMMITTEE:** Senate Finance

### Statement of Information

Senate Bill 252 proposes to establish and add a new fund under the Maryland Small Business Development Financing Authority Program (MSBDFA). The proposed Minority Business Enterprise Procurement Contract Financing Program would provide financing assistance for working capital to “Certified” Minority Business Enterprises (MBE) specifically seeking to obtain and perform on State procurement contracts.

The financing would be in the form of loans and grants to MBEs with net worth no greater than \$2,000,000. Also, if the General Assembly enacts legislation implementing Sports and Events Wagering, the Bill proposes to capture ten percent (10%) of any proceeds received by the State. The Sports and Events Wagering revenue would be used to provide funds for the new program.

The Maryland Small Business Development Financing Authority (MSBDFA) program was created by the Maryland General Assembly in 1978. Contract Financing (CF) was the first fund initiated under the program. We would like to bring to your attention that the CF fund is currently operating and continues to be a critical financing tool for MBEs. Of the four MSBDFA funds, CF is consistently one of the most active components.

CF funds may be used for working capital and the acquisition of equipment needed to begin, continue, or complete work on contracts where a majority of funds are provided by a federal, state or local government agency or utilities regulated by the Public Service Commission. Applicants may also qualify for financing prior to the award of a contract.

During the last five fiscal years, the Contract Financing Fund provided loans in the total amount of \$5.2 million to 17 small, minority and woman owned businesses. Additionally, the Equity Participation Investment Program (EPIP) under MSBDFA has provided loans in the total amount of \$4.3 million to 23 small, minority and woman owned businesses. EPIP also has the capability to provide working capital to facilitate performance on contracts, both government and private-commercial.

The Department would need an increase in General Funds of approximately \$1.0 million to cover an increase in program activity and operating costs directly related to the proposed new program component. Additionally, the Department uses a private contractor, Meridian Management Group, Inc. (MMG) to manage the MSBDFA program. Operating expenses for the MSBDFA program for FY 2022 include a management fee to the contractor equal to \$1.8 million. It is probable the

contractor would request additional compensation to manage the proposed new program component.

The proposed new program component is duplicative and would contribute additional expense and complexity to the program. The program is currently an effective tool to address the need for capital by the diverse racial, ethnic and gender population in our State that it serves. Additionally, the program has a substantial impact each year on Maryland's economy by helping local businesses start, expand, and create and retain employment opportunities. The MSBDFA program is an important component of the Department's strategy to assist small businesses.