



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

September 7, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Harshbarger
Director of Budget and Policy Analysis

FROM: Isabel Williams
Senior Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-062-2022, Prince George's County Small Business Capital and Growth Stimulus

CB-062-2022 (*Proposed and presented by:* Councilmembers Franklin, Hawkins, Harrison, Burroughs, Glaros, Ivey, Medlock, Streeter and Taveras)

Assigned to the Government Operations and Fiscal Policy Committee

AN ACT CONCERNING PRINCE GEORGE'S COUNTY SMALL BUSINESS CAPITAL AND GROWTH STIMULUS for the purpose of establishing a Prince George's County Small Business Capital and Growth Stimulus Program to increase growth and access to capital for Prince George's County's small business community.

Fiscal Summary

Direct Impact:

Expenditures: Increased expenditures to the extent that funds are dedicated to the program and for administrative costs.

Revenues: None.

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Indirect Impact:

Potentially positive.

Current Law/Background:

Federal and State laws authorize the establishment of Small Business Capital and Growth Stimulus Programs as a method of assisting small businesses grow their capacity. Presently, the County has a variety of programs to assist small businesses in receiving financial, technical, and/or management assistance, as well as preferences for certain certified businesses during the procurement process. The County Code contains a number of provisions related to local preferences during participation in the County procurement process, including provisions for waiver in certain circumstances; specific County-based minority enterprise subcontractor utilization requirements in certain contracts; Purchasing Agent discretion to increase the participation requirement in certain circumstances; and the establishment of a sheltered-market Supply Schedule program.

Discussion/Policy Analysis:

CB-062-2022 establishes of a Small Business Capital and Growth Stimulus Program (the “Program”). Such programs focus on enhancing the growth of County-based small businesses by providing capital. Typically, small business grant programs seek to provide capital to small businesses to assist with growth and expansion. This is mutually beneficial for both County-based small businesses and the County. Businesses benefit because they receive capital to assist with operations and expansion, and the County benefits by having more local businesses with larger capacity.

Under CB-062-2022, funds will be set aside for programs to fund small businesses. The established program, comprised of five different funds, will not have a “sunset” provision, and the associated funds are intended to be non-lapsing. The specific elements of the program authorized by CB-62-2022 include:

Start-Up Focus (Prince George’s County Business Expansion and Start-Up Grant Fund and Prince George’s County Business Expansion and Start-Up Loan Fund

- - At least 30% of the annual awards will be reserved for “Local Start-Up Businesses.”
 - “Local Start-Up Business” is defined in the bill as a County-based business that has been in operation for 36 months or less
- *\$250,000 Cap* - The maximum annual grant award from the fund will be \$250,000.
- *Priority Industries* - The County Council may establish priority industry sectors for awards from the fund.
- *County-base Requirement* - Awarded businesses must remain a County-based business for at least the next sixty (60) months.

Technology Focus (Prince George’s County Technology Incentive Program, consisting of the Prince George’s County Biosciences Supplemental Fund and the Prince George’s County New Technologies Incentive Fund)

- *Biosciences Supplemental Fund* to provide matching grant funds to County-based businesses that receive the Maryland Biotechnology Investment Tax Credit for investment made in Prince George’s County up to \$250,000 per year for an eligible firm, *provided that*, as a written condition of award acceptance, the firm remains a County-based business for at least the next sixty (60) months of the business’s existence after the receipt of an award.
- *Technology Incentive Fund* to provide grants to businesses located in Prince George’s County in the sectors of quantum computing, bioscience, artificial intelligence, and cybersecurity for the purposes of the following activities occurring in Prince George’s County: (a) business expansion, business capacity-building, and business retention; (b) job creation and job retention; and (c) business start-ups and early-stage business growth. Subject to the same \$250,000 maximum award and sixty (60) month County-base requirement.

Growth Focus (Prince George’s County Small Business Accelerator Fund)

- *Small Business Accelerator Fund* to provide grant awards to foster the expansion or establishment of small and minority business capacity accelerator programs located in the County.

Administration

- *Limited Administrative Costs* - Total administrative costs cannot exceed 5% of the total combined dollars annually allocated, and at least 20% of any fee paid to an administering entity must be structured as an incentive payment.
- *Credit Determinations* – No determination can use a minimum credit score of higher than 570.
- *Programs and Funds* - The program will include the following programs -
 - The Prince George’s County Technology Incentive Program will include:
 - The Prince George’s County Biosciences Supplemental Incentive Fund
 - The Prince George’s County New Technology Incentive Fund
 - The Prince George’s County Small Business Accelerator Fund
- *Public Reporting* – Administering entities shall submit a written quarterly report to the Office of the County Executive, the Clerk of the County Council, and the County MBE Compliance Manager on the fund awards year-to-date and program-to-date.

Disparity Study

The Prince George’s County Disparity Study highlighted the underutilization of minority business enterprises and business in the County, providing a legal basis for remedial legislation. Among the recommendations in the report was a specific recommendation to assist with capacity building and professional and technical assistance for small businesses. This legislation directly addresses that recommendation.

SBA Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)

The Small Business Association offers several business grants. The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs encourage domestic small businesses to engage in Federal Research/Research and Development.¹ The SBIR and STTR award funds to enable small businesses to explore their technological potential and provide the incentive to profit from its commercialization. The programs intend to assist qualified small businesses in high-tech innovation.²

Maryland Business Express – Minority Business Pre-Seed Fund (MBPF)

The MBPF is intended to assist minority entrepreneurs in Maryland. It is administered by the Maryland Technology Development Corporation (TEDCO).³ TEDCO's social impact funds serve to engage and invest in economically underserved communities.⁴ Businesses with a technology-based idea can get investments up to \$40,000 towards developing the idea into a product to be tested with potential users.⁵ The MBPF requires at least 50% of the founders to demonstrate economic disadvantage.⁶ Which CB-62-2022 does not require demonstration of economic disadvantage, it does show some consideration for economic disadvantage with the lower credit worthiness consideration.

Other Jurisdictions

Several other state and local jurisdictions have start-up grant programs. District of Columbia, Massachusetts, and Connecticut are examples of States with similar programs.⁷ The District of Columbia's program established a grant for green infrastructure start-up companies.⁸ Massachusetts's Empower Digital Grant program is a match grant program awarded to small businesses that is targeted toward digitization.⁹ Connecticut's Center for Advanced Technology program (CCAT) provides grants for start-up companies through their Small Business Incubator Grant Program.¹⁰

Montgomery County's Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program

CB-062-2022 is similar (SBIR and STTR), which is part of their Economic Development Fund.¹¹ Under the program, Montgomery County established a Biotech Investment Incentive Tax Credit

¹ [About | SBIR.gov](#).

² Id.

³ <https://www.tedcomd.com/about-tedco>

⁴ Id.

⁵ <https://businessexpress.maryland.gov/grow/funding-and-incentives>

⁶ Id.

⁷ [SRC Aggregator Startup Grants | ddoe \(dc.gov\)](#)

⁸ Id.

⁹ [EOHED Programs and Grants - Business and Innovation | Mass.gov](#)

¹⁰ https://portal.ct.gov/DECD/Content/Business-Development/01_Type_of_Business/Small-Businesses

¹¹ <https://www.montgomerycountymd.gov/Biz-Resources/business-financing.html>

Supplement, a Biohealth Innovation Fund, and a Life Science Initiative. Like CB-62-2022, the funds were created to encourage innovation and support small businesses. Additionally, SBIR and STTR do not contain a sunset provision. CB-062-2022 imposes additional requirements like expanded credit considerations and quarterly reporting.

Fiscal Impact:

Direct Impact

Enactment of CB-062-2022 will result in additional expenditures for the fund and to cover administrative costs related to approval funding, agreements and monitoring compliance, and authorized service.

Indirect Impact

Enactment of CB-062-2022 may have a positive indirect impact on the County by further increasing the participation of local businesses in the County procurement process. A small business funding program may result in increased capacity of local businesses. Such expansion could result in increased revenue cycling through the local economy. As local businesses scale up, they may have additional revenue to contribute toward the County tax base.

Appropriated in the Current Fiscal Year Budget

No.

Effective Date of Proposed Legislation:

The Act shall take effect forty-five (45) days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.