



**Interim Report
The Governor's Commission
on Small Business
(January 2011 – December 2011)**

Executive Order 01.01.2010.13F(4) (MSAR #8884)

MARYLAND OF OPPORTUNITY.
Department of Business & Economic Development

Governor's Commission on Small Business

Interim Report January 2011 through December 2011

CONTENTS

Memorandum of Transmittal to Governor Martin O'Malley.....	Page 3
Executive Summary.....	Page 4
Mission, Membership & Work Process.....	Page 5
Primary Small Business Concerns....	Page 7
▪ Customer Service within Government	
▪ Regulatory Requirements	
▪ Workforce Development & Training	
▪ Procurement Process	
▪ Access to Capital	
Key Preliminary Recommendations	Page 8
Next Steps.....	Page 8
Accomplishments.....	Page 9
Conclusion.....	Page 10
Appendices.....	Page 11
A. Commission Members	
B. Subcommittee Assignments	
C. Staff	

MEMORANDUM ON SMALL BUSINESS

To: The Honorable Governor Martin O'Malley

From: Ackneil Muldrow, Chairman
Karen Barbour, Co-Chairman
Governor's Commission on Small Business
Christian Johansson, Secretary,
Maryland Department of Business & Economic Development

Date: December 30, 2011

Re: Governor's Commission on Small Business Interim Report.

On behalf of the Commission members we are pleased to submit the Interim Report for the *Governor's Commission on Small Business*. In doing so, we would like to commend the work of this group and to express their continued interest in moving Maryland forward in the area of small business development. Under your direction, on February 14, 2011, the first Governor's Commission on Small Business meeting was convened to begin to identify issues of importance to small businesses.

The Commission hereby submits an overview of their efforts and a summary of primary business concerns encompassing government practices and perception, access to capital, procurement, regulatory and workforce concerns currently affecting the business community.

The Commission members also express their gratitude for the opportunity to serve and to make a positive impact for small businesses. The Commission is committed to working hard over the next year to represent the interests of Maryland's small businesses, and to provide you with the necessary information to continue to make Maryland a friendly environment for small businesses. We look forward to productive years ahead.

GOVERNOR'S COMMISSION ON SMALL BUSINESS INTERIM REPORT TO THE GOVERNOR

Executive Summary

In January 2011, Governor Martin O'Malley established the Governor's Commission on Small Business (GCSB). The GCSB was created by Executive Order 01.01.2010.13, signed by Governor O'Malley on June 3, 2010, and formed upon the recommendation of the Governor's Task Force on Small Business. It consists of a diverse group of business owners and CEOs, representing a cross section of Maryland's small business community, legislators and State agency leaders, to include the Secretary of Business and Economic Development (DBED), the Secretary of Housing and Community Development, the Secretary of the Department of Labor, Licensing, and Regulation (DLLR), the Secretary of General Services (DGS), and the Special Secretary of the Governor's Office of Minority Affairs (GOMA). The GCSB also includes representation from the U.S. Small Business Administration (SBA) and Maryland Small Business Development Center. (See Appendix A)

Ackneil Muldrow II, CEO of Parker Muldrow & Associates, LLC, chairs the Commission. Mr. Muldrow previously served as President and CEO of the Development Credit Fund for more than 17 years. He is chairman, past president, and CEO of the Baltimore Marketing Association and president of the Baltimore Efficiency and Economy Foundation.

Karen Barbour, President of the Barbour Group LLC, co-chairs the Commission. The Barbour Group is an independent insurance agency focusing on surety bonding and commercial insurance for the construction industry on a national basis, from Alaska to Puerto Rico and internationally in four countries. Ms. Barbour has won many awards for her service to small business. She is the only surety professional to win the SBA US Small Business Person of the Year, representing Maryland in 2008.

The Commission members have firsthand knowledge of the struggles faced by small business owners and are committed to being an effective advocate for Maryland small businesses.

Mission

The GCSB provides a forum for small businesses to articulate and address barriers to business growth, recommends economic development policy measures to the Governor, implements the recommendations of the Governor's Task Force on Small Business and develops recommendations to promote and encourage the viability of Maryland's small businesses.

The Commission will also provide a regular review of *Maryland Made Easy*, which seeks to further improve Maryland's business environment by streamlining processes, simplifying regulations, and improving communications where business and government intersect.

Membership & Work Process

Commission

The Commission currently consists of 27 members, being comprised of 16 members appointed by the Governor, 2 members of the Maryland Senate, 2 members of the Maryland House of Delegates, and 7 non-voting ex-officio members (See Appendix A).

To date, the Commission has conducted eight meetings since being established in January 2011. The majority of those meetings were held monthly at DBED's Headquarters located at the World Trade Center, 401 East Pratt Street, Baltimore, Maryland with the exception of two Town Hall meetings described below. The Commission agreed in June 2011 to meet on a bi-monthly basis for future meetings.

Regular Meetings

All meetings serve as a basis for gathering knowledge and information. Initial meetings consisted of the Commission hearing a series of presentations by state agency representatives from the Departments of Labor, Licensing and Regulation, the Environment, Natural Resources and the Health Care Commission. These agencies explained their organization's mission and how they serve and interact with small businesses. A presentation reviewing the 2011 Legislative Session was also provided by DBED staff. The GCSB intends to continue with additional state agency presentations to develop a more in-depth understanding of state and local government processes in order to discern how small business operations may be impacted and improved by those processes.

Town Hall Meetings

The Commission, in compliance with the Governor's Executive Order which required the provision of a forum for small businesses to articulate and address barriers to growth, has begun Town Hall meetings throughout the State. These meetings are open to the public and seek to constructively engage Maryland's small business community. The Commission's first Town Hall meeting was held on September 6, 2011 at the Annual Maryland Hispanic Business Conference in Montgomery County. Its second meeting was held at Chesapeake College on October 11, 2011 in Wye Mills, Talbot County. Through these Town Hall meetings the GCSB seeks to increase its visibility as advocates for the business community, gain a broader understanding of diverse business environments, provide greater access and opportunities for businesses to express their concerns, and provide relevant information to the small business community. The feedback and input garnered through these meetings will help to provide the bases for the Commission's recommendations.

Small Business Survey

In an effort to broaden participation from the small business community, the Commission created a small business survey to gather specific data from small businesses regarding their concerns. This data will be synthesized to determine major issues within the small business community that require attention. The survey was sent to Maryland chambers of commerce for disseminating to members, DBED business electronic news subscribers, Team Maryland Network businesses, and Better Business Bureau members. Overall, the survey was sent to approximately 12,000 businesses and associations. DBED staff will collect and analyze completed survey responses and report to the Commission. The survey resulted in 243 total respondents.

Sub-Committee Workgroups

The Commission, under the advice of DBED Secretary Johansson, Chairman Muldrow and Co-Chair, Karen Barbour, agreed to organize into five sub-committees concentrating on priority areas affecting small businesses. Each subcommittee is tasked with identifying issues of importance to small businesses within the priority areas, some of which were originally identified in the Governor's Task Force on Small Business. The sub-committees will focus their attention on major issues and needs of small businesses specifically related to: Business Competitiveness, Capital Needs for Sustainable Growth, Executive (Oversight), Regional & Global Market Access, Workforce Development and Training (See Appendix B). The sub-committees will:

- Identify issues and concerns of the small business community, relevant to each priority area
- Develop recommendations
- Identify the best vehicle to execute recommendations (executive order, legislation, policy, and etc.)
- Submit recommendations in the form of an annual report to the Governor

Subcommittees meet in-person and by conference call on a regular basis outside of the regularly scheduled commission meetings. The GCSB and subcommittees are staffed by Michelle D. Jackson, Director of DBED's Office of Boards and Commissions, Matthew Schmid, Assistant Director, Stacey Harvey-Reid, Program Manager, Linda McNeal, Management Associate, and staff from other DBED divisions (See Appendix C).

Primary Small Business Concerns

The GCSB has worked to elicit feedback and identified key issues and concerns from small business owners during its activities to include: town hall meetings; discussions with small business owners, associations, academic and economic development professionals, government

agency heads, legislators, and in responses derived from the Commission's Small Business Survey. This input has been used to compile problems of high priority for the small business community in the following areas:

Customer Service within Government: The small business community and the general public have expressed the need for improved customer service from state agencies. The perception of government workers is described as disinterested, uninformed, unknowledgeable, disconnected, unprofessional and uncommitted resulting in the delivery of marginal customer service when communicating and interacting with constituents. Government employees lack the understanding and realization that public agencies exist ultimately for the benefit of the citizens. Government employees are unable to provide adequate information and referrals regarding State resources. Staff is not focused on the needs of small businesses. State agency personnel are unconcerned with outcomes or value provided to the customer. Wasted time, and inadequate information, inaccessible resources, numerous phone calls, unanswered inquiries, long waiting in lines, and misguided direction all prevent business owners from making money. Small businesses cannot operate without the State's resources and assistance.

Regulatory Requirements: Heavy regulation among federal, state, and local municipalities has been cited as a major impediment encountered by business owners in doing business. Regulation related to required registration, licensing and permits, processing times; fees associated with licensing, permits, and annual certifications; unemployment tax rate hikes and worker's compensation, healthcare exchange/groups and insurance rates, federal and state taxes on business income, taxes required for sales, alcohol, vending, and business property; and occupational safety and health enforcement and fines for violations have all been addressed as barriers for small businesses. The extent of governmental regulations is causing prudent businesses to sit on cash, avoid risks and wait on hiring. The increasing complexity of the tax environment requires business owners to increase their investment for professional legal and accounting professionals. Lengthy, complex processes increase the costs for small businesses to do business in Maryland. Small businesses are considering other states to relocate their businesses. Maryland is viewed as unfriendly toward small businesses.

Workforce Development and Training: Employers are finding it difficult to locate and recruit properly trained, experienced, highly skilled, and educated workers in the fields of engineering, technical trades, IT and other areas. Employers lack funding to provide training and development programs for employees both lower level and management, in addition, the State lacks training programs for individuals entering the workforce or changing fields. The inability to recruit and attract skilled staff diminishes an employer's ability to be competitive. The workforce is not aligned with the needs of business.

Procurement Process: Small businesses state that the MBE certification process is cumbersome and complex and even more challenging once certified to win awards. Small businesses must reapply for certification within each of the State's local jurisdictions (i.e. Baltimore City, Baltimore County, etc.) to bid on prospective procurement opportunities. MBE's are required to

sub-contract to another MBE which decreases profit margin for MBE prime contractor. These issues limit contracting opportunities impacting business growth.

Access to Capital: Start-ups and early stage businesses are still challenged with securing capital for business operations. Small businesses are unable to satisfy tighter lending standards demanded by lenders to qualify for financing. The fact that businesses are not applying for financing inaccurately implies that there is no need for capital. Small business owners have been declined in the past for credit and are discouraged from applying for credit for various reasons: industry classification, length of business history, falling below the minimum credit scoring threshold, etc. Unless lenders and State programs alter current lending criteria to meet the needs of business owners, a large portion of promising businesses will remain unable to secure credit to start, sustain and grow their businesses.

Key Preliminary Recommendations

The Commission has identified key preliminary recommendations for immediate consideration, implementation and potential legislation in response to small business primary concerns.

- Create a Customer Service Task Force through an Executive Order. The Task Force would be comprised of constituents and State employees representing each agency.
 - Purposed to develop and improve customer service standards that would be specific, measurable and reasonable.
 - One final outcome of the Task Force would be the implementation of a mandatory, standard customer service training program for all State employees.
- Re-establish, replenish funds and restructure existing Maryland Industrial Partnership Training (MIPT) and Partnership for Quality Workforce (PQW) programs.
- Expand the Maryland Made Easy FastTrack and Central Business Licensing (CBL) initiatives to include streamlining licensing and regulatory processes inclusive of all State agencies also linking State resources required for all small business operations.

Next Steps

Moving forward, the Commission will work to formulate recommendations and develop an implementation plan for each sub-committee. The implementation plan will outline:

- Implementation process, i.e. (legislation, inter-agency action, executive order, etc.)
- Issue-based Planning
- Alignment Planning
- Real-time planning
- Performance Measurement

Submission of the June 30th Annual Report for 2012 will detail final recommendations and the implementation plan undertaken to achieve the recommended actions.

Accomplishments

The Commission can report several significant successes resulting from their support and efforts, as well as the implementation of several recommendations originating from the Governor's Task Force on Small Business.

DBED's Credit Connections II Initiative

The Commission is working to promote DBED's Office of Business Services' ("OBS") Commercial Lender Training Initiative ("Credit Connections") an effort at *"Retooling State financing programs to compliment federal and private sector offerings for small businesses,"* a recommendation which was outlined in the Governor's Task Force on Small Business Report. The success of the initial launch in 2010 has created Credit Connections II (CCII) which began Fall 2011 in conjunction with the Maryland Banker's Association. Ten seminars were conducted throughout the state during 2010 to educate and train lenders on the parameters and benefits of DBED and other State finance programs to include the Maryland Department of Housing and Community Development (DHCD). This training encourages increased participation of private financial institutions with State programs. Event presenters include the U.S. Small Business Administration, the U.S. Department of Agriculture, and DHCD. Attendance has been represented by both large and small commercial lenders such as Harbor Bank, Severn Bank, Carrolton Bank as well as local credit unions. Representatives from 14 different financial institutions attended the kick-off event.

Maryland Made Easy

The Commission supported Maryland Made Easy, an inter-agency effort making it easier to do business in Maryland. Launched by Governor O'Malley in January 2011, Maryland Made Easy includes specific strategies to help improve Maryland's business environment by streamlining processes, simplifying regulations and improving communication. *"Streamlining and fast tracking the regulatory review processes"* was a recommendation stemming from the Governor's Task Force on Small Business. The GCSB is charged with continually conducting comprehensive regulatory reviews to identify specific areas for improvement and is working with the State and legislature to identify areas of regulation that can be clarified, streamlined or eliminated.

Small Business Reserve (SBR) Program

The Governor's Task Force on Small Business recommended the "*Extension of the State's Small Business Reserve Program*" scheduled to sunset on September 30, 2010, and now in its extended current sunset date of September 30, 2016, the Governor's Office of Minority Affairs, in partnership with the Maryland Board of Public Works, the Maryland Department of General Services, and a committee of private sector industry and business representatives, charted a course to evaluate the SBR program and prepare for legislative action that extended the SBR program. This undertaking was strongly supported by current GCSB members formerly on the Governor's Task Force on Small Business. The SBR Program extension continues to create access to business opportunities for small businesses.

Town Hall Meetings

The Commission has increased their visibility through Town Hall meetings around the State in Montgomery County during the 10th Annual Small Business Hispanic Conference and on the Eastern Shore in Wye Mills Maryland at Chesapeake College. Town Hall meetings allow the Commission to garner a broader knowledge of small business issues within different areas of the State. The Commission recognizes the distinctiveness and diversity of each Maryland region as it relates to industry sectors, business climate, culture, and environment. The Town Hall meetings extend the platform for the small business community's voice to be heard and provide a stage for State agency representatives to readily respond to their issues and concerns. The GCSB is focused on listening and implementing solutions to resolve small business challenges. We will therefore continue to have Town Hall meetings throughout the State, as the dialogue generated has proven to be extremely valuable and helpful to the Commission in their advocacy role.

Office of Boards and Commissions

The Commission has the assistance of DBED's newly established Office of Boards and Commissions (OBC). The OBC will staff the GCSB and provide strategic direction in implementing recommendations and measuring successes as opportunities are increased for small businesses.

Conclusion

The Governor's Commission on Small Business thanks you for the opportunity to provide input on issues of major importance to Maryland's small businesses. In the months ahead, the Commission will work to develop a strategic plan for recommendations outlined in this report. The Commission will prioritize the most pressing issues confronting small business owners in order to address challenges to their ability to grow, thrive, and create jobs for Marylanders. The Commission looks forward to the work ahead as it continues to advocate for small businesses in Maryland.

Appendices

APPENDIX A

GOVERNOR'S COMMISSION ON SMALL BUSINESS MEMBERS

Commissioners

Ackneil M. Muldrow II, Chair

Chief Executive Officer, ParkerMuldrow & Associates, LLC

Karen Barbour, Co-Chair

President, The Barbour Group, LLC

Barbara I. Berschler, Esquire

Press, Potter & Dozier, LLC

Roland O. Campbell

President/CEO, ROC Realty Group

Edward L. Dopkin

Partner/Vice President Classic Catering

James A. Dula

Chief Executive, Independent Consulting Services

Annie Geiermann

Senior Vice President, The Columbia Bank

Riche Holmes Grant, Esq.

President, Innovative Study Techniques, LLC

Manuel Hidalgo

Executive Director

Latino Economic Development Corporation

Wonro Lee

President & CEO, J.G. Merchant Sales & Service

The Honorable Randy McClement

Mayor of the City of Frederick

Jorge Restrepo

President, Eurekafacts, LLC

Deborah Stallings

President, HR Anew, Inc.

Jay Steinmetz

President, Barcoding, Incorporated

R. Wayne Strausburg

President, The English Company

William Yerman

Chief Executive Officer, The Strata Group

Legislators

Senator Barry Glassman

Maryland Senate

Senator James N. Mathias, Jr.

Maryland Senate

Delegate Adrienne A. Jones

Maryland House of Delegates

Delegate Steven R. Schuh

Maryland House of Delegates

Ex-Officio Members

Alvin C. Collins

Secretary, Department of General Services (DGS)

Luwanda Jenkins

Special Secretary, Governor's Office of Minority Affairs (GOMA)

Christian Johansson

Secretary, Maryland Department of Business & Economic Development (DBED)

Alexander Sanchez

Secretary, Maryland Department of Labor, Licensing & Regulation (DLLR)

Raymond A. Skinner

Secretary, Department of Housing & Community, Development (DHCD)

Renee Sprow

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

Stephen Umberger

Director, United States Small Business Administration, Baltimore District Office

APPENDIX B

SUBCOMMITTEE ASSIGNMENTS

Subcommittee I: Business Competitiveness

Jay Steinmetz, Chair
President, Barcoding, Inc.

Barbara Berschler, Co-Chair
Press, Potter, & Dozier, LLC.

Karen Barbour
President, The Barbour Group, LLC

Roland O. Campbell
President/CEO, ROC Realty Group

The Honorable Randy McClement
Mayor of the City of Frederick

Alexander Sanchez
Secretary, Maryland Department of Labor,
Licensing & Regulation (DLLR)

Delegate Steven R. Schuh
Maryland House of Delegates

R. Wayne Strausburg
President, The English Company

Subcommittee II: Capital Needs for Sustainable Growth

Annie Geiermann, Chair
Senior Vice President, The Columbia Bank

Wonro Lee, Co-Chair
President & CEO, J.G. Merchant Sales &
Service

Manuel Hidalgo
Executive Director, Latino Economic
Development Corporation

Dawn Medley (Representing DHCD)
Director, Department of Housing & Community
Development

Ackneil M. Muldrow
CEO, ParkerMuldrow & Associates, LLC

Raymond Skinner
Secretary, Department of Housing &
Community Development

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

Stephen Umberger
Director, United States Small Business
Administration, Baltimore District Office

Subcommittee III: Executive

Ackneil M. Muldrow, Chair
CEO, ParkerMuldrow & Associates, LLC

Karen Barbour, Co-Chair
President, The Barbour Group, LLC

Annie Geiermann
Senior Vice President, The Columbia Bank

Jorge Restrepo
President, EurekaFacts, LLC

Jay Steinmetz
President Barcoding, Inc.

James Dula
Chief Executive Officer, Independence
Consulting Services

Subcommittee IV: Regional & Global Market Access

Jorge Restrepo, Chair

President, EurekaFacts, LLC

Debra Stallings, Co-Chair

President, HR Anew, Inc.

Karen Barbour

President, The Barbour Group, LLC

Roland O. Campbell

President & CEO, ROC Realty Group

Alvin Collins

Secretary, Maryland Department of General Services

Luwanda Jenkins

Special Secretary, Governor's Office of Minority Affairs

Ackneil M. Muldrow

CEO, ParkerMuldrow & Associates, LLC

Renee Sprow

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

Subcommittee V: Workforce Development & Training

James A. Dula, Chair

Chief Executive Officer, Independence Consulting Services

Edward L. Dopkin, Co-Chair

Partner/Vice President Classic Catering

Riche Holmes Grant, Esquire

President, Innovative Study Techniques, LLC.

Delegate Adrienne A. Jones

Maryland House of Delegates

Jorge Restrepo

President, EurekaFacts, LLC

Alexander Sanchez

Secretary, Maryland Department of Labor, Licensing & Regulation (DLLR)

Deborah Stallings

President, HR Anew, Inc.

William Yerman

Chief Executive Officer, The Strata Group

APPENDIX C

GOVERNOR'S COMMISSION ON SMALL BUSINESS STAFF

Maryland Department of Business & Economic Development

Office of Business Services

Jorge Austrich
Program Director

Victor Clark
Business Representative

Sean J. McEvoy
Director

Lori Ratzburg
Business Representative

Patricia Ford
Management Associate

Drucilla Hollie
Management Associate

Office of Policy & Legislative Affairs

Rhonda Ray
Director

Office of Boards & Commissions

Michelle Jackson
Director

Matthew Schmid
Assistant Director

Stacey Harvey-Reid
Program Manager

Linda McNeal
Management Associate

Division of Marketing & Communications

Wanda Wickham
Assistant Director for Public & Media Relations

Maryland Department of Housing & Community Development

Dawn Medley
Director, Business Lending Programs

END OF REPORT

A Report of the Governor's Commission on Small Business



MARYLAND OF OPPORTUNITY.

Department of Business & Economic Development