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A Ten Point Strategy for Strengthening Small Business in Maryland

REMARKS BY GOVERNOR MARTIN O'MALLEY BEFORE THE MARYLAND CHAMBER OF COMMERCE

Cambridge, Maryland
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AS PREPARED FOR DELIVERY

Thank you Chairman Joe Slater for your leadership. And thank you Kathy Snyder who, in addition to serving as President of the Chamber is an important voice for small business on the Maryland Economic Development Commission.

Earlier today I had the opportunity to speak with representatives from Maryland's tourism industry, a sector of our economy which continues to show great potential for fueling our recovery and helping our State achieve sustainable, long term economic growth.

The same, of course, is true of small business and it's great to be able to cap off the day by meeting with all of you.

In many ways, small business is the heart and soul of our State. And if you visit nearly any city or town in Maryland, you can see the *connections* – fueled by small business – that shape our economy, create jobs and provide opportunity for our families,... whether it's the hardware store on Main Street or the cutting edge software startup like Blue Sky Factory on Baltimore's Cross Street,... all these things are connected, and they all add to our quality of life.

Yet, if we're going to turn the corner from recovery to prosperity, we need all of you; and we must continue to recognize that our progress as a State depends on the prosperity of small businesses,... businesses that employ more than 1.2 million people in the State of Maryland.

We've made it a priority to do what we can to support you. From our first days in office, we've been focused on one primary goal: to strengthen and grow the ranks of an increasingly diverse, upwardly mobile middle class: *including our family owned businesses.*

If we want a strong, growing middle class, we must have strong family-owned businesses. And to have strong businesses, we must strive to improve public safety and public education and to expand opportunity to more people rather than fewer.

These are the goals of our Administration, and we believe that they are your goals as well.

In our brief time together this evening, I wanted to share a few thoughts on the present and future of our economy, and then talk specifically about some things we can do together – right now – to speed recovery by supporting Maryland's small and family owned businesses.

SMALL BUSINESS AND MARYLAND'S ECONOMY

There is finally some encouraging news emerging about the direction of our national economy, which grew three and a half percent in the third quarter – whether you look at construction spending, which grew .8% in September after analysts projected declines; real estate, where commercial prices grew more than 4% in the third quarter; or whether you look at Detroit, where the Ford Motor Company turned its first operating profit since early 2008.

Still, if we were to poll this room, most of us would agree that we're not out of the woods yet. Not as a country. Not as a State.

In many ways, small business has had to bear a disproportionate share of the burden during these tough economic times. We see it in closed car dealerships and boarded up storefronts and in the jobs we've lost. I talk to business owners every day who worry week after week about how they'll make payroll, and how they'll keep the doors open.

And for all too many of our businesses, the difficulty of these times has been and will be compounded by increases in the unemployment insurance schedule. This organization helped craft the 2005 legislation, which has had the unintended consequence of doubling down on the pain you're already feeling – forcing business owners to dip further into already decreasing revenues.

There was a lot that was right about the 2005 legislation, which is providing much-needed assistance to those hardest hit by the recession. The Chamber deserves a lot of credit for your support of these reforms, and for your intellectual honesty and engagement on finding a workable solution.

Therefore, I look forward to working with you on finding such a solution.

For all the challenges we're facing as a country, there are plenty of reasons why we in Maryland are in a better position than our counterparts in other States to transition from recovery to prosperity:

- In its *Best States for Business* rankings, for example, *Forbes* magazine noted that Maryland is one of only a handful of States which actually saw growth in the last year – and it ranked our workforce and growth potential in the top ten among States.
- Our unemployment rate, which has stayed relatively constant since May, remains more than 25% lower than that of the nation as a whole;
- In September, we gained 1,400 construction jobs – our first increase in this sector in 18 months;
- Even though we've lost jobs, we've seen some modest year-to-year growth in a few key sectors like education and health services, and professional, scientific and technical services;
- For five months in a row, home sales have surpassed where they were during the corresponding month in the previous year;
- We remain one of six States which continues to defend a Triple A Bond rating;
- And we are in a strong competitive advantage with one of America's most highly skilled workforces – a result of having what Education Week magazine now says is the #1 best public school system in the United States of America.

GROWING OUR ECONOMY

Our challenge – and our great opportunity – is to find ways to transform our economy to create new jobs and opportunities in this rapidly changing world of ours – a 21st century world where we face the connected challenges of leading in skills, leading in security, and leading in sustainability.

It's our belief that this sort of progress is all about leading in innovation, whether it's innovation in security, innovation in sustainable technology, or innovation in the life sciences and IT.

To further our progress,... with a government that works, we're continuing to invest in sectors of our economy which offer the greatest growth potential. The sectors you might have heard referred to as “feds, eds, meds, and beds.”

To further our progress,... with a government that works we've created the Maryland Biotechnology Center, and set the big goal of making Maryland the national epicenter for cyber security – leveraging the federal assets in our State, such as the National Security Agency, the

Defense Information Systems Agency, and the National Institute of Standards and Technology.

And to further our progress we're working to strategically and openly target the federal Recovery & Reinvestment resources our State is receiving – investing these resources in the building blocks of a stronger economy – things like infrastructure, schools and jobs.

Your state government has been ranked #1 in terms of the ways we are targeting these resources and holding our efforts open and accountable. Why do we take this so seriously? Because it's all about jobs. Thus far, the federal stimulus package, the American Recovery & Reinvestment Act, has helped us create or save 14,000 Maryland jobs either directly, indirectly, or induced.

And for every job we create or save, there is an opportunity to support the small, family owned businesses which provide the goods and services which fuel our economy. *It's all connected – from our investments in feds, eds, meds and beds to compete in the global market place, to the emphasis we've placed on BRAC and getting ready to support those 60,000 jobs, to the importance we've placed on using Recovery dollars in the most efficient way possible to create or save jobs and get that money back into our local economy. It's all connected, and it all comes back to creating opportunity for our small businesses.*

A 10 POINT STRATEGY FOR STRENGTHENING SMALL BUSINESS IN MARYLAND

To advance economic recovery in Maryland, our Administration is pursuing a **10 Point Strategy for Strengthening Small Business in Maryland**, which I wanted to share with you briefly:

1. With small business being so fundamental to the strength and character of our State, doesn't it make sense that our small business community should have a permanent seat at the table in your state government?

So Point 1 in our Ten Point Strategy is to create Maryland's first Commission for Small Business. We hope and believe this will build upon the positive momentum of the Small Business Task Force we created in July. The Task Force has been doing some great work and much of our Ten Point Strategy flows from their recommendations.

2. All of us understand the very serious financial strain on small and family owned businesses presented by rising health care costs. **We want to help ease the burden by working to bring more Maryland businesses into our Health Insurance Partnership.** Your state government is one of just a handful in America which now offers financial assistance to small businesses of 9 or fewer to help bring their employees into the ranks of the insured.

At present we're providing more than \$1 million to help more than 200 employers cover more than 1,000 Marylanders. **Point 2 in our plan calls for us to do even better.** There is capacity

within the Partnership to serve 1,500 businesses and 10,000 Marylanders. We hope to work with you in the coming months to reach these targets.

3. All of you are on the front lines of our economic battles, not just as a State – but as a country. The last thing we want in your state government is to hold back your forward progress with unnecessary red tape. And so, as part of our ongoing efforts to reform our government, we are working to create **one, solitary, uniform loan application for any small business applying for state financing**. And we're **streamlining our permitting requirements** to further reduce the red tape.
4. Those of you who have felt the sting of credit markets drying up, no doubt considered it welcome news when President Obama announced that he was waiving borrowing fees for SBA loans and raising the cap on loans from \$2 million to \$5 million.

We're going to match these efforts by waiving state administrative loan fees as well – including fees for the Maryland Small Business Development Financing Authority, which has financed 26 businesses since July of 2007, providing nearly \$5 million in assistance and helping these businesses create and retain 400 jobs.¹

5. As I talk with small businesses owners and ask them what they need to be able to keep their doors open and advance forward in these tough times, the answer is often the same: greater access to capital. **Yesterday I wrote a letter to our congressional delegation asking for their partnership in working to secure greater access to capital from the federal government.**
6. **Our diversity in Maryland is our greatest strength, and we want to work with you on expanding our efforts to advance Minority Business Enterprise.** In FY09, we achieved 22% MBE participation across your state government. To give you one example of what this has meant in dollar terms, we awarded \$346 million to African American firms, a 30% increase over the \$266 million awarded during the previous fiscal year. We hope that by working together, we can expand opportunity to more and more of our fellow citizens rather than fewer.
7. We know that the bidding process for state contracts can seem like a hopeless pursuit if, as small businesses, you're forced to compete against the oftentimes overwhelming bidding power of large corporations – many of which are not even based in Maryland. **Thus, by setting aside a percentage of certain state contracts for small business, the Small Business Reserve**

¹ Collectively, MSBDFA has financed approximately 748 transactions for nearly 514 businesses since operations begin in January 1980; providing \$151.5 million in assistance and helping local businesses create and retain approximately 18,100 employment opportunities in Maryland.

program makes a lot of sense. So rather than let it sunset, we want to extend it for six more years.

8. You and I know that when federal facilities spend money they have a choice in where they spend it – and we all would agree that there is a great untapped potential for our small businesses flowing from the countless federal facilities which call our State home and are actually adding jobs and growing. **To leverage these assets, we're asking our new Federal Facilities Task Force to help us open up federal procurement and contracting opportunities for more Maryland businesses.**

9. Your greatest assets in business are our greatest assets as a State. I'm referring, of course to the people of Maryland; their talents, skills, creativity, ingenuity, and resiliency. Because we have the #1 best public school system, we also have the advantage of one of America's most highly skilled workforces.

Our challenge – and the 9th point in our plan – is to work with all of you to find ways to do an even better job in providing skills training and promoting career readiness in our high schools, particularly as it relates to things like CTE and STEM – Career and Technology Education, and Science, Technology, Engineering, and Math education – these disciplines which are so essential to our ability to innovate and compete in the global economy.

10. I've already spoke about our tenth point, and that's **our commitment to working with all of you to find a sustainable solution to the UI challenges.**

CONCLUSION

While there is no “easy button” for moving our State from recovery to prosperity, we continue to believe there are reforms and strategies available to us which – with a government that works – can accelerate the recovery in Maryland and fuel progress for our businesses and our families.

Our great challenge is to make the connections that create needed progress and to make these connections quickly – before the pace of our problems overtakes the pace of our progress. The good news is that the strengths, the potential, and the assets of innovation are right here, in Maryland.

I wouldn't trade places with any other Governor in America, and I'm grateful for the work you do every single day to make our State are stronger. Thank you. Let's open up for Q&A.