

**Organization:** Anne Arundel Economic Development Corporation

**Community Size:** Large (More than 200,000)

**Name of Program:** Arundel Tech Toolbox

**Contributions to Best Practices:** As home to Fort George G. Meade and prominent defense agencies such as U.S. Cyber Command, the National Security Agency (NSA) and Defense Information Systems Agency (DISA), Anne Arundel County is a hub for information and network security, big data intelligence, and analytics. The county's robust ecosystem includes more than 1,800 technology companies and about 23,116 jobs. The Arundel Tech Toolbox is a unique program that in itself can be a best practice to help grow small businesses in the technology sector.

The Toolbox aims to serve both firms that serve in the federal contracting space as well as innovative businesses with a commercially viable product or service. Target businesses are small technology firms that have had some initial success but are in the ballpark of less than \$5 million in revenue and fewer than 100 employees and need capital to scale up and the know-how to expand their business development.

The challenges faced by government contractors are laid out in a short passage in "Financing Defense Contracts" by E. K. Gubin:

"A Contractor Should Be Financially Responsible:

Normally, government contracts will be awarded only to those contractors who are capable of performance, and who qualify under the six ASPR (Armed Services Procurement Act) minimum standards for responsible prospective contractors, the first of which requires that the contractor "have adequate financial resources, or the ability to obtain such resources as required during performance of the contract."

Often small businesses cannot apply for a contract due to their limitations on their access to capital. They are required to hire, onboard, and train before the start of the contract, which can often be a burden for such upfront costs and the government's delay in payment processing. The business must still pay for the employees (payroll) and equipment before the first billing to the agency is often paid.

For commercial start-ups, entrepreneurs must be able to juggle parallel priorities such as research and development, commercial viability, operational growth and covering the early stage negative cash flow before a new product or service is bringing in revenue from real customers.

For both these types of small business, assistance or funding will not be forthcoming from banks or investors until there is proof of concept and an established revenue stream.

Major components of the Toolbox address these pressing needs of small businesses:

- The Next Stage Fund offers low interest loans of between \$50,000 to \$250,000 with flexible payment terms to accommodate a company's cash flow. Funding may be used for real estate acquisition, lease-hold improvements, equipment and working capital to help fund growth. Businesses must commit to making a capital investment of at least \$100,000 and demonstrate that the funding will help create at least 10 new, full-time jobs within the first year.
- Consultants on Call offers complimentary guidance from prominent product marketing, federal contracting and legal experts.
- The Workforce Training Grant is a reimbursement of 50% up to \$1,000 for the cost of training to upskill new and incumbent employees.
- Travel Rewards through the Runway to Success powered by Southwest Airlines provides two one way certificates for businesses to provide travel for sales and training opportunities outside of Maryland.

Since inception in 2017, the Arundel Tech Toolbox has assisted 60 companies. Testimonials from a number of businesses demonstrate the economic development value of the program.

"As cyberbreaches and threats continue to increase, we wanted to leverage our cybersecurity experience to help commercial organizations mitigate their risks. In March 2019, the Anne Arundel County Economic Development Corp (AAEDC) helped us as we started Optic Cyber Solutions (Optic) LLC, a cybersecurity services company. As Optic began to receive contract awards, we needed to expand. The Next Stage Loan helped us ensure funding was available to bring on additional staff. Without the support of AAEDC and the Next Stage Loan, Optic would not have been able to hire new staff to support existing work and continue to grow."

- Tom Conkle, CEO, Cyber Optic

"The AAEDC Next Stage Tech Fund is providing Netrias with working capital to accelerate the development of an AI platform by hiring talent, acquiring high-end hardware, and participating in several trade shows in 2018. This cash infusion is allowing us to rapidly execute our strategic plan, and immediately contribute to the county's economic growth."

– Matt Puglisi, Founder, Netrias

"Gloria Larkin's passion is to help small business owners succeed and grow! Gloria helped Aitech to present a strong online presence by reviewing and offering recommendations to our SBA profile, Capability statement, and SAMs registration. She really has the amazing ability to use her years of knowledge in government contractor to help the small business owner."

- Gwen Greene, Sc.D, CISSP, Applied Information Technology (AiTech), LLC

"Michele Perry was amazing to work with. During my 1:1 consulting session with her, she took the time to understand my concerns, needs, and wants to formulate a strategic approach to

marketing in the tech industry. With her unique tactics, we were both able to enhance my current ideas and work through several obstacles that would structure my digital marketing campaigns and overall marketing strategy for the company. I left my consulting session with her more confident and knowledgeable. Anyone would be lucky to work with her!”

- Khimee Leong, Marketing and Communications Specialist, Synergist Computing

**Coordination of Partnerships:** AAEDC relies on many of our partners to help promote the Toolbox to potential companies. Partner organizations include the Ft. Meade Alliance, the Cyber Association of Maryland, the BWI Business Partnership and more than seven chambers of commerce and industry association that serve businesses in Anne Arundel County. Out of state partners include the Georgia Department of Economic Development and the CSRA Alliance for Ft. Gordon which can highlight the Toolbox to Georgia based technology companies that are interested in having a footprint in the Ft. Meade region.

**Leverage of Resources:** Since inception in 2017, AAEDC has invested \$1.2 million in the Next Stage Fund. Most of the ten companies receiving loans used the capital for operating expenses. However, three of the companies, which were awarded loans totaling \$500,000, committed to making additional investments totaling \$400,000.

**Innovation and Creativity:** The Arundel Tech Toolbox is a unique program not seen in any other jurisdiction. However, given its success, it can be a best practice that other areas could implement. In October, AAEDC was invited by the CSRA Alliance for Ft. Gordon to present on the Toolbox to an economic development delegation from Augusta, Georgia. Augusta is home to Ft. Gordon and Army Cyber Command, which has a strong connection to U.S. Cyber Command at Ft Meade. The Ft. Gordon cyber region encompasses two states (Georgia and South Carolina) and seven counties. The delegation was interested in hearing how the Toolbox could support businesses that serve the mission of the installation and drive private sector, innovation and growth.

**Jobs (before):** 0

**Jobs (after):** 320

**Source of Fund (public investment):** A portion of the funds for the Toolbox came from a grant from Anne Arundel County to AAEDC through the annual budget process.

**Source of Funds (private investment):** A portion of the funds for the Toolbox came from AAEDC’s fund balance.

**Leverage of Resources (initial investment):** 1000000

**Leverage of Resources (total investment):** 1200000

**Expansion of tax base (before):** 0

**Expansion of tax base (after): 0**

**ROI:** For the companies that received Next Stage Loans and workforce training grants, at least 320 new hires were/are anticipated between 2018-2020.

**Budget and Source of Funding:** Funds for the Toolbox come to AAEDC from a grant from Anne Arundel County as well as from AAEDC's fund balance.

**Impact on Employment:** For the companies that received Next Stage Loans and workforce training grants, at least 320 new hires were/are anticipated between 2018-2020.

**Expansion of Impact on Tax Base:** n/a

**Diversification of Economy:** Although a new industry sector was not created, the Toolbox aims to expand what is still a growing sector in Anne Arundel County, which is cybersecurity. According to an October 29, 2019 Baltimore Business Journal story, a report by Jones Lang LaSalle sees continued booming growth of this industry in the next few years:

“Cybersecurity leasing is becoming a red-hot specialty on Maryland's commercial real estate landscape with record growth expected in the next three years, a new report says.

Office space for cyber companies in Baltimore and its suburbs like Columbia, Anne Arundel County and Aberdeen has leased at a record pace over the past five years with deals for more than 1.4 million square feet, data from JLL's Maryland Cybersecurity report out this month shows. By comparison, the industry leased only 467,000 square feet of space from 2009 through 2014.”

The Toolbox will continue to be a valuable program to lure companies to Anne Arundel County and contribute to the growth of this industry in Maryland.

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