Greetings,

Many businesses in Harford County will be directly affected by the impending government furloughs. Our community organizations and households will also be touched by these actions. To help lessen some of the anxiety over what comes next, EDAB is being mindful of the idea that while government work and contractors are a huge part of our local and regional economy, our County regularly pursues growth opportunities in all market segments.

This month, we'll take a look at how those other sectors are growing and helping to balance our economy. We'll examine the climate for entrepreneurism and see how our infrastructure can support small businesses. There is no doubt we are bracing for some difficult times, but through diversification and strong business sense, we will weather this storm. In this issue's Business Spotlight, learn how a local defense contractor plans to address the next few months. Don't miss Fast Facts about small businesses and market diversity.

If you'd like more information or would like to get involved in EDAB, please feel free to contact me.

Best regards,

Eric McLauchlin
Chairman
Harford County Economic Development Advisory Board

Can Economy Flourish Despite Furlough?

By Jim Richardson
Director, Harford County Office of Economic Development

The government furlough, although facing delays, still promises to have quite an impact on the local economy. About 61 percent of workers at Aberdeen Proving Ground (APG) live in Harford County. That's 13,200 of 22,000 Federal jobs at APG. While just four short years ago we were ecstatic about the 10,000 jobs BRAC would bring, today many of our residents are preparing to lose wages.

The current furlough time equates to nearly 15 percent of an employee's salary. Defense contractors are already seeing reductions - some as furloughs and others as layoffs. So, if more than 13,000 people cut back in their spending over the next year, how will our local economy fare?

While the impact will be felt at our restaurants, retail and entertainment locations, as well as in real estate and banking, there are other sectors within the County that can buoy these markets. In the short-term, the rebounding housing market may take a little longer to rekindle itself or the retail market may grow more slowly, but we have not put all our eggs in one basket. Economic development in Harford County is about balancing all business sectors, including government. While we were busy welcoming BRAC jobs, we were just as busy prospecting other business growth opportunities.
One of the bright spots is the steadily growing distribution market. The recent signing of two leases, each over 500,000 square feet in Perryman, will bring major distribution centers to the area. In the manufacturing sector, Harford County is replicating the growth that is happening on a national level. We also have seen existing companies expand their presence in the County. Bizerba, Automated Coatings, Smiths Detection and Alcore have all grown in employment numbers, revenue and space.

In addition, smart companies are finding ways to diversify their products and services, as well as their workforces. Companies like Smiths Detection have expanded from just government-based detection equipment to airport security systems, x-ray systems and explosives detection for other users. Avon Protection Systems, another good example of market diversification, not only offers their global respiratory protection systems to the government market, but also to the law enforcement, industrial and firefighting markets.

Based on past history, we can also predict more entrepreneurial ventures. The greatest growth in our economy for the small business person follows an economic downturn. Why? It forces people to take that leap and work hard toward success. It sparks the spirit of entrepreneurism.

According to Entrepreneur Magazine, the biggest trends for small business start-ups in 2013 are in data storage, manufacturing, office space, management, beauty, energy drinks, digital health care and vending. These will be the next job creators, pushing our economy along steadily. The SurePayroll Small Business Scorecard survey for March 2013 (http://blog.surepayroll.com/march-2013-scorecard/) showed small business owners' optimism rose to 68 percent, up from 59 percent in February. While small business hiring was down 1.4 percent and the average paycheck was down 0.1 percent compared to last year at this time, half of the small business owners surveyed said they plan to make new investments in their businesses in the second quarter, including new staff, technology and marketing. According to the Small Business Administration's Office of Advocacy, companies with less than 500 workers had higher net job creation in three of the four quarters of 2011. Start-ups tend to remain successful even during severe recessions, seemingly because more people start their own companies due to layoffs or job losses.

Harford County has resources in place that can help both small business start-ups and current companies who wish to diversify. Facilities like the HBIC (Harford Business Innovation Center) and a new program called Ground Floor will provide resources for training, skills and the physical structure necessary to get fledging companies or new departments off the ground. The Small Business Association (SBA) has a number of programs for budding entrepreneurs that will help in the start-up and growth process.

We have opportunities to develop new, thriving businesses and markets. With determination and innovation, we can face the furloughs and remain steady.

**Business Spotlight: Battelle**

Battelle located its 80,000 square foot Eastern Science and Technology Center in Aberdeen in 2002. With its main headquarters in Columbus, Ohio, Battelle's global research and development has helped to bring business and scientific projects to fruition in many different market segments. The company's portfolio of clients includes National Security, Health and Life Sciences, Energy, Environment and Material Sciences and Education. Worldwide, Battelle employs over 20,000 people, with about 200 of them in Harford County. The local scientists and researchers support clients with engineering and technology research in chemical and biological defense, cyber warfare, test and evaluation and several other defense technologies.

The Eastern Science and Technology Center has been preparing for the impact of furloughs, according to Dean Ertwine, vice president for Army Programs at Battelle. “For companies competing for defense business, it has been a matter of clients dealing with both reduced budgets and the uncertainty of the sequester,” he said. To meet the challenge, Battelle created 12 customer-focused business units to address future client markets. Three of those units have dedicated teams headquartered in Harford County - critical infrastructure, cyber innovations and chemical weapons demilitarization. Battelle has also been aggressive in controlling overhead expenses both locally and globally in an effort to avoid staff layoffs. Ertwine expresses optimism for the coming months, both because of the company's strategic planning and because he says the defense budgets have not been exhausted. “Our Army clients have a mission to accomplish,
and they still have substantial budget to get it done. We're optimistic that there will be opportunities to renew contracts and to bid on new work," he said.

A 501(c)(3) charitable trust, Battelle is involved in managing laboratories throughout the world. The company conducts thousands of projects for its clients each year, and returns a minimum of 20 percent of its profits back into the communities where it does business, mostly in support of STEM education initiatives.

**Fast Facts**

- Maryland ranks fourth in federal government employment. Still, of the top 25 employers in Maryland, over half are non-government entities in markets like health care, grocery, retail and hospitality. In Harford County, more than three-quarters are in diversified markets and include Upper Chesapeake Health, Rite Aid, ShopRite, Walmart and Sephora.

- Maryland has 20 companies in the top 500 list of Inc. Magazine's fastest growing companies in the U.S., ranking the state eighth nationwide. In number of companies per capita, Maryland ranks fourth for the Inc. 500 and the Inc. 5000.

- Maryland is ranked seventh among the "Next Boom States," in the 2012 Entering States study, which identifies states that are best positioned to grow, create jobs and prosper in the next five to ten years. The study examined how states are creating environments for the private sector to thrive.

- Of the more than 85,000 people employed in Harford County, 62,318 are employed by the private sector and 23,061 by the government sector. Top private sector markets are trade, transportation and utilities, education, health services, professional business services, and leisure and hospitality.

*Sources: MD Department of Economic Development website, [www.md.gov](http://www.md.gov); Harford County Office of Economic Development website, [www.harfordbusiness.org](http://www.harfordbusiness.org)*

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**David R. Craig, Harford County Executive**

*The Harford County Economic Development Advisory Board consists of a number of subcommittees - including technology, workforce development, finance, tourism, and land use - dedicated to the positive growth and Economic Development of Harford County.*