

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Joint Resolution 8 (Delegate Barve, *et al.*)
Economic Matters

Biotechnology Venture Capital Programs - Study

This joint resolution urges the Maryland Economic Development Commission and the Maryland Department of Business and Economic Development (DBED) to study the feasibility of modifying existing programs and creating a State-sponsored venture capital program for biotechnology, in consultation with the Maryland Bioscience Alliance and the University of Maryland Biotechnology Institute. The study would focus on making venture capital available in all regions of the State where existing and newly formed biotech research and industry centers are located. The resolution directs DBED to complete the study by November 15, 2001, and report its findings and recommendations to the Governor and various committees of the General Assembly on or before January 9, 2002.

Fiscal Summary

State Effect: Compliance with this joint resolution could be handled with DBED's existing budgeted resources.

Local Effect: None.

Small Business Effect: None. However, the creation of a venture capital program could have a meaningful impact on small biotech firms.

Analysis

Current Law: None applicable.

Background: Venture capital can be difficult to obtain by entrepreneurs in technology fields, according to the Carnegie Mellon Center for Economic Development. States have

used different mechanisms to address this problem. For example, the New Hampshire Business Development Corporation organized a venture capital partnership supported by the state and private and nonprofit investors to fund early-stage, high potential companies with five-year forecasts of \$20 to \$50 million. The General Assembly has approved several programs that directly or indirectly assist biotech companies, including loans and grants through the Sunny Day Fund and workforce training grants. DBED's Investment Financing Group manages four programs intended to attract high-tech companies and provides seed financing through investments tied to a contingent royalty agreement.

Using \$4 million from one of these programs, DBED has invested in a venture capital fund aimed at helping companies receive early-stage investment. The fund, managed by a private company, is not required to provide venture capital to Maryland-based firms; however, it will consider recommendations from the Maryland Technology Development Corp. and is expected to invest a portion of the fund in State companies, particularly those that collaborate with federal laboratories or State universities.

Financial incentives are also available from MD Bio, Inc., a private nonprofit organization (originally created by the General Assembly) and the Maryland High Technology Council, which sponsors the Technology Business Incubator that provides technical and business support services for startup companies. Maryland has the third highest concentration of bioscience companies in the U.S. -- 20 publicly traded companies with \$40 billion of market capitalization.

State Fiscal Effect: DBED advises that it needs \$30,000 to hire a consultant with the appropriate expertise to comply with the joint resolution. However, the Department of Legislative Services advises that the department has access to sufficient in-house or external resources, including the DBED investment financing group (which administers the Challenge Investment Program that provides start-up financing for high-tech and other companies), the biotechnology and life sciences division, and the Maryland Technology Development Corporation (TEDCO). Accordingly, DBED should be able to conduct the feasibility study with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SJ 11 (Senator Hogan, *et al.*) – Budget and Taxation.

Information Source(s): Department of Business and Economic Development, MD Bio, Inc., Carnegie Mellon Center for Economic Development, Department of Legislative Services

Fiscal Note History: First Reader – February 6, 2001
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