

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

House Bill 571 (Delegate Lee, *et al.*)
 Economic Matters

Maryland Biotech SBIR and STTR Bridge Program

This bill establishes the Maryland Biotech Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) Bridge Program administered by the Technology Development Corporation (TEDCO). The program is to provide up to 10 matching grants, of up to \$100,000 each through a new special fund, to eligible Maryland businesses that have received a federal SBIR or STTR Phase I award and have applied for a Phase II grant.

Fiscal Summary

State Effect: General fund expenditures may increase by \$1.0 million annually beginning in FY 2012 to capitalize the fund. Special fund revenues and expenditures increase correspondingly. This estimate reflects TEDCO granting the full amount of awards authorized in each year.

(\$ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
GF Expenditure	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
SF Expenditure	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Net Effect	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The purpose of the program is to support and promote advanced research in biotechnology in the State by providing bridge funding to eligible biotechnology businesses that have completed a Phase I SBIR or STTR project and have applied for a Phase II award.

The bill establishes a Maryland Biotech SBIR and STTR Bridge Fund within TEDCO. Money in the fund is to be used to award grants to eligible biotechnology companies that match funds received in a Phase I proposal and cover the program's administrative expenses. TEDCO may award up to 10 matching grants of up to \$100,000 in each year.

An eligible biotechnology business is a for-profit business that (1) is engaged primarily in the research, development, or commercialization of technology that comprises, interacts with, or analyzes biological material; and (2) has its principal place of business in the State. An eligible biotechnology business must meet additional requirements specified by the bill. An eligible biotechnology business must submit an application to TEDCO within 90 days after receiving notification of a Phase I award. A business may receive no more than one matching grant per year, one grant for each proposal, and five grants total from the program.

TEDCO is required to adopt regulations to implement the program and establish additional criteria and procedures for awarding grants. The bill also expresses the intent of the General Assembly that funding provided under the program may not supplant funds, or alter the administration of funding, currently provided in the State budget to support other biotechnology programs in the State.

Current Law/Background: The U.S. Small Business Administration (SBA) Office of Technology administers the SBIR Program and the STTR Program. Through these two competitive programs, small, high-tech, innovative businesses are a significant part of the federal government's research and development efforts. Eleven federal departments participate in the SBIR Program and five departments participate in the STTR Program awarding. Phase I awards are made to evaluate the feasibility and merit of a scientific or technical idea. Phase II awards are granted to expand on the results of a Phase I concept.

TEDCO, an independent entity, was established by the Maryland General Assembly in 1998 to facilitate the creation of technology companies and encourage collaboration between these emerging businesses and federal and State research laboratories. TEDCO manages the following programs:

- *Maryland Technology Transfer and Commercialization Fund (MTTCF)*: MTTCF provides up to \$75,000 as a reimbursable award for initiation of technology transfer projects that involve collaboration between a Maryland company and any federal laboratory or academic research institution in Maryland as well as a tenant in one of Maryland's technology incubators. Funds are to be used to defray direct costs of further developing early-stage technology.
- *University Technology Development Fund (UTDF)*: UTDF provides up to \$50,000 for proof-of-concept studies or patent extension research on Maryland university-owned technologies to demonstrate their ability to meet identified market needs. The objective is to make the technologies more attractive to licensees preferably based in Maryland.
- *TechStart Program (TSP)*: TSP provides up to \$15,000 to further evaluate the feasibility of a technology from a Maryland university or federal lab to be the basis of a start-up company. The feasibility team must include the principal investigator, entrepreneur, and tech transfer manager. Funds are to be used for tasks critical to determining the viability of a new company formed around the spin-out technology.
- *Rural Business Innovation Initiative (RBI2)*: The RBI2 program supports technology-based companies in rural Maryland. The program provides intensive business and technical assistance to help companies advance to the next level. Companies may receive a maximum of \$7,500 of assistance provided by industry experts.
- *Maryland Stem Cell Research Fund (MSCRF)*: MSCRF provides a variety of grant programs for human stem cell research in the State of Maryland, including Investigator-Initiated Grants, Exploratory Grants, and Post-Doctoral Fellowships. In fiscal 2010, MSCRF supported 40 research grants that were approved from 141 applications.
- *Joint Technology Transfer Initiative (JTTI)*: TEDCO has contracted with the U.S. Department of Homeland Security (DHS) and the U.S. Army Medical Research and Materiel Command (USAMRMC) to facilitate transfer of technology. Funding up to \$75,000 is available to each business.
- *Working Capital Loan Fund (WCLF)*: WCLF is designed to provide loans to incubation-stage, technology-related companies in Maryland. The maximum loan is \$50,000, with low interest rates and flexible terms, and includes a quick

turn-around from application to a decision. Funds can be used to assist a company with expansion, market entry, staffing, or other working capital needs.

The Department of Business and Economic Development (DBED) also administers several business assistance programs, the largest of which is the Maryland Economic Development Assistance Authority and Fund (MEDAAF). MEDAAF provides below-market, fixed-rate financing in the form of loans, grants, conditional loans, conditional grants, and direct investment to local jurisdictions and businesses, particularly in growth industries and priority funding areas.

In addition, DBED also administers the Maryland Biotechnology Center (MBC) and Biotechnology Investment Tax Credit Program, which allows a tax credit of up to 50% of the amount invested in a qualified Maryland biotechnology company. MBC coordinates State, university, and private-sector initiatives to support biotechnology innovation and entrepreneurship.

State Expenditures: The bill authorizes TEDCO to award up to \$1.0 million in grants to eligible biotechnology companies in each year from the Maryland Biotech SBIR and STTR Bridge Fund. The bill does not require an appropriation to the fund. If the program is funded to provide the maximum number of grants, general fund expenditures will increase by \$1.0 million annually to capitalize the fund. To the extent that the State budget provides less or no money to the bridge fund in any year, the increase in general fund expenditures (and corresponding special fund revenues and expenditures) will be less or zero. Given the number of other programs administered by TEDCO, Legislative Services assumes existing resources can be used to manage the program. Otherwise, the fund established by the bill will be used to cover administrative costs, as authorized, decreasing the number and/or amount of grants awarded.

Small Business Effect: Small businesses that receive grants under the program will benefit.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Technology Development Corporation, Department of Legislative Services

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