

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1532 (Delegate Hettleman)
Rules and Executive Nominations

Maryland Technology Development Corporation - Maryland Innovation
Initiative - Financing Authority

This bill allows the Maryland Innovation Initiative (MII) to provide equity investment financing – instead of solely grant funding – to qualifying entities to promote the commercialization of technology developed in whole or in part by a qualifying university.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Altering the type of expenditure allowed under MII has no immediate effect on funding levels for the program. To the extent that equity investment financing, instead of grant funding, generates a return on investment, special fund revenues and expenditures for the Maryland Innovation Initiative Fund (MIIF) increase in future years. The timing and extent of any potential increases cannot be reliably estimated at this time.

Local Effect: None.

Small Business Effect: Meaningful. The bill allows equity investment financing to be provided under MII; many businesses that receive funding through the initiative are small businesses and benefit from an additional type of available assistance.

Analysis

Current Law: The Maryland Technology Development Corporation (TEDCO) administers MIIF, which may be funded by (1) appropriations as provided in the State budget; (2) contributions by qualifying universities; (3) grants or funds from federal

laboratories located in the State; (4) interest or other income earned on the investment of money in the fund; and (5) any other money accepted for the benefit of MII. Funds may only be used to award grants to promote the commercialization of pertinent research and to pay the necessary administrative costs of MII.

MII may:

- provide grant funding to a qualifying university, qualifying university-based entrepreneur, or other start-up entity to promote the commercialization of technology developed in whole or in part by a qualifying university;
- pursue grants, other funds, and in-kind contributions for MII or its qualifying universities;
- develop and implement guidelines for technology transfer; and
- identify projects at qualifying universities that may be viable for commercialization.

The grant funding must be awarded:

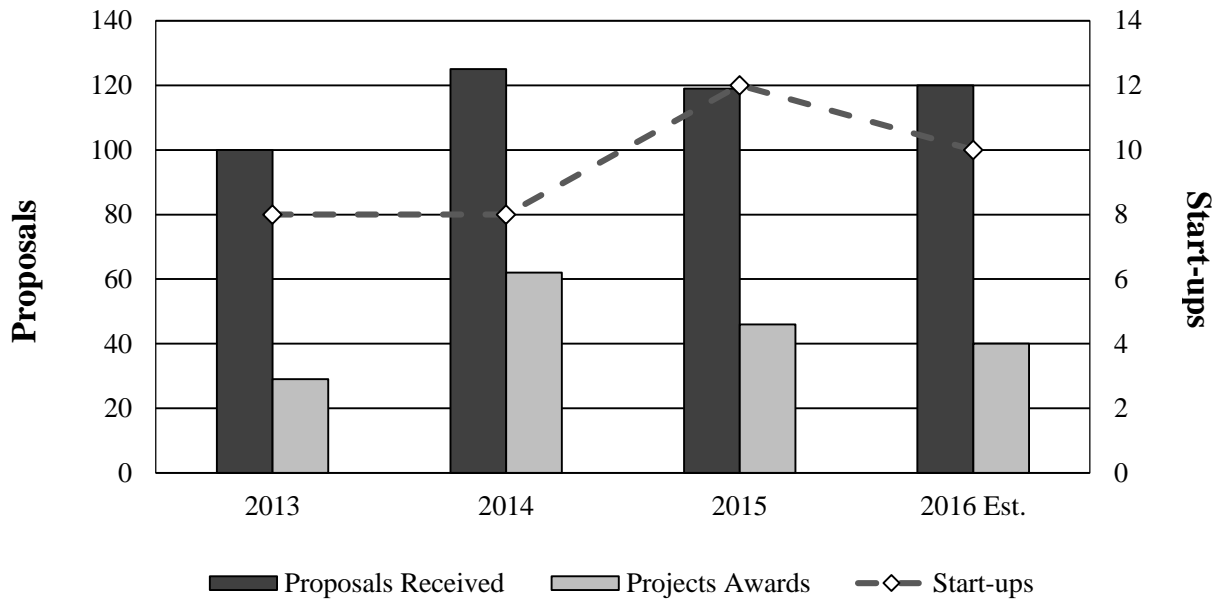
- to support precommercial research on intellectual property to increase the likelihood of commercializing the intellectual property;
- to defray costs of evaluating the feasibility of a technology becoming commercialized through a start-up company;
- to defray the direct costs of developing early stage technology through a start-up entity;
- to assess intellectual property issues, including licensing and patents; or
- for any other costs that MII's participating members determine are appropriate to promote technology transfer and commercialization in the State.

Background: MII was established by Chapter 450 of 2012 and is designed to combine the technology transfer expertise of TEDCO and the research expertise of the State's research universities to speed commercialization opportunities. The program is meant to encourage a foundation from which start-up companies may be formed.

Eligible universities must contribute specified amounts each year (\$100,000 or \$200,000, depending on the university) to qualify for the program. Each of the eligible universities (Johns Hopkins University; the University of Maryland, Baltimore; the University of Maryland, College Park; Morgan State University; and the University of Maryland, Baltimore County) participate in the program.

Exhibit 1 shows the number of proposals received under the program (left axis), the number of proposals that were awarded funds (left axis), and the number of start-up companies formed as a result of the funding (right axis) from 2013 through (estimated) 2016. The fiscal 2017 budget includes \$4.8 million for the program.

**Exhibit 1
Maryland Innovation Initiative
Fiscal 2013-2016 (Estimated)**



Source: Maryland Technology Development Corporation

Additional Information

Prior Introductions: None.

Cross File: SB 1057 (Senator King) - Finance.

Information Source(s): Maryland Technology Development Corporation, University System of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - March 29, 2016
min/rhh

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