

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 343 (The Speaker, *et al.*) (By Request - Administration)
 Ways and Means

Economic Development - Maryland Technology Infrastructure Program

This Administration bill establishes the Maryland Technology Infrastructure Program, Authority, and Fund (MTIF) in the Maryland Technology Development Corporation (TEDCO). The authority’s purpose is to provide advice to and consult with TEDCO in connection with the administration of the program. MTIF must be used to cover the program’s costs; subject to available funding and on the recommendation of the authority, TEDCO must award capital and operating financial assistance from MTIF to public or private entities in the State for specified purposes.

Fiscal Summary

State Effect: General fund expenditures increase by \$16.0 million annually beginning in FY 2021, under the assumptions discussed below. Special fund revenues and expenditures increase by at least \$16.0 million annually. State revenues and expenditures may increase from awards under the program beginning in FY 2021 (not shown, discussed below). The Governor’s proposed FY 2021 budget does *not* include funding for the program.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
GF Expenditure	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
SF Expenditure	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Net Effect	(\$16.0)	(\$16.0)	(\$16.0)	(\$16.0)	(\$16.0)

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

Local Effect: Local government and/or local community college revenues and expenditures may increase from awards under the program beginning in FY 2021, as discussed below.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Maryland Technology Infrastructure Program

The purpose of the program is to:

- facilitate strategic planning and guidance by convening leaders from industry and anchor research institutions, as well as other key innovation stakeholders, to identify policies and investments needed to advance Maryland's innovation around targeted growth opportunities and place-making efforts;
- manage MTIF for investments in projects; and
- coordinate economic development service delivery to ensure high-quality customer service.

Subject to available funding, and on the recommendation of the authority, TEDCO is required to award capital and operating financial assistance from MTIF to public or private entities in the State, including institutions of higher education, to:

- support large-scale place-making projects that establish a geographic district to attract talent, foster collaboration, and enable concentration and growth of life sciences and cyber-related industries;
- foster public-private collaborations between private industry and institutions of higher education in the State, and the development of research and commercialization centers;
- attract new lead venture capital firms and major corporate partners to fund start-up and emerging companies in Maryland; and
- support talent development initiatives that address critical skill shortage areas in science, technology, engineering, and mathematics fields to meet the workforce needs of the life sciences and cyber-related industries.

MTIF may not contribute more than one-third of the total cost of a project described above.

“Financial assistance” for purposes of the program means a grant, loan, credit enhancement, investment, or similar assistance. Priority for the award of any financial assistance must be given to those projects that are most likely to:

- attract significant investment in the State;
- result in significant company formation or job creation;

- leverage significant research funding from federal or private-sector sources; or
- establish the State as a key location for life sciences and cyber-related industries.

Maryland Technology Infrastructure Authority

The authority is established in TEDCO to provide advice to and consult with TEDCO in connection with the administration of the program. TEDCO must provide staff for the authority and may employ or contract with experts to assist with the administration and management of the program. The authority consists of specified individuals from the public and private sector, subject to specified conditions. The Governor is required to appoint a chair from among the members. A member of the authority may not receive compensation but is entitled to reimbursement for travel expenses.

The authority is authorized to establish an independent review board of business and academic experts with knowledge of advanced industries to:

- evaluate whether an applicant for funding is likely to achieve the goals of the project for which funding is sought; and
- make recommendations to the authority, based on the evaluation, for the award and disbursement of financial assistance from MTIF.

The authority is required to adopt regulations to establish a competitive application process and criteria and procedures for awarding financial assistance from MTIF to eligible recipients.

Maryland Technology Infrastructure Fund

MTIF is established in TEDCO. MTIF is a special, nonlapsing fund that is not subject to reversion. The fund consists of:

- appropriations as provided in the State budget;
- any interest earnings of the fund; and
- any other money from any other source accepted for the benefit of the program.

The executive director of TEDCO, or the executive director's designee, must administer MTIF in accordance with the bill and any other applicable law. The fund must be used to cover the costs of the program, including (1) any administrative costs and (2) any financial assistance that is awarded to eligible recipients.

The Treasurer is required to invest the money of the fund in the same manner as other State money may be invested. Any investment earnings of MTIF must be credited to the fund.

Reporting and Oversight

By January 1 each year, TEDCO and the authority must report to the Governor and the General Assembly on the status of MTIF, including detailed descriptions of the financial assistance awarded. The Legislative Auditor is required to audit the accounts and transactions of the fund through the audit process under current law.

Current Law/Background: TEDCO is an independent entity 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 also aims to promote new research activity and investments that lead to business development in Maryland.

To achieve its goals, TEDCO provides nonequity investments to early-stage technology businesses, and it funds development and patenting of new technologies at research universities. TEDCO also develops linkages with federal research facilities in the State and helps companies pursue research funds from federal and other sources. The corporation's role was expanded in fiscal 2016 with the enactment of Chapter 141 of 2015 to transfer the operation of the Maryland Venture Fund (MVF) and the biotechnology grant program from the Department of Commerce.

Except for MVF, which is a special fund, State support for TEDCO's programs is typically in the form of general funds. The Governor's proposed fiscal 2021 budget includes \$25.9 million for TEDCO (\$20.5 million in general funds). As previously noted, this amount does not include any funding for the Maryland Technology Infrastructure Program established under the bill.

State Fiscal Effect:

Program Operation

The Governor's proposed fiscal 2021 budget does *not* include funding for the program; however, this analysis assumes the program is funded at \$16.0 million annually on a discretionary basis. This amount is consistent with both the funding included by the Governor for a nearly identical Administration bill in 2019 and the advice provided by the Department of Budget and Management for this bill.

Therefore, general fund expenditures increase by \$16.0 million annually beginning in fiscal 2021 to capitalize and then maintain funding for MTIF. Accordingly, special fund revenues and expenditures for MTIF increase by at least \$16.0 million annually beginning in fiscal 2021 as TEDCO provides financial assistance to eligible recipients under the bill. TEDCO advises it intends to provide \$0.5 million to \$5.0 million per project.

Total costs for TEDCO to support MTIF and the authority, including three new positions, are approximately \$550,000 to \$750,000 annually. This estimate assumes that administrative costs are paid directly from MTIF as required by the bill and, therefore, are included in the annual MTIF appropriation.

The program may provide several types of financial assistance. Some types, such as loans and investments, can reasonably be assumed to generate revenue for the program in future years. The additional revenue may then be used to provide financial assistance. Accordingly, beginning as early as fiscal 2022, special fund revenues and expenditures for MTIF further increase beyond annual general fund appropriations to the extent that revenue generating financial assistance is provided by TEDCO under the program.

Costs associated with appointing and maintaining the authority as an advisory body are assumed to be minimal and absorbable within budgeted resources.

The Office of Legislative Audits can include MTIF in its standard audit of TEDCO with existing staff and resources.

Program Recipients

Program funds may be awarded to public or private entities in the State, including institutions of higher education, subject to a minimum 2:1 matching requirement per project. Accordingly, special fund revenues (executive agencies) and/or higher education revenues increase to the extent that funds are received under the program. State expenditures (all funds) and/or higher education expenditures increase as necessary to fulfill the matching requirement.

Local Fiscal Effect: As noted above, program funds may be awarded to public or private entities in the State, subject to a minimum 2:1 matching requirement per project. Accordingly, local government and/or community college revenues increase to the extent that funds are received under the program. Local government and/or community college expenditures increase as necessary to fulfill the matching requirement.

Additional Information

Prior Introductions: SB 175 of 2019, a substantially similar bill, passed the Senate with amendments and received a hearing from the House Ways and Means Committee, but no further action was taken. Its cross file, HB 235, received a hearing from the House Ways and Means Committee, but no further action was taken.

Designated Cross File: SB 270 (The President, *et al.*) (By Request - Administration) - Finance.

Information Source(s): Maryland Technology Development Corporation; Department of Budget and Management; University System of Maryland; Maryland Higher Education Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2020
mr/vlg

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Maryland Technology Infrastructure Program

BILL NUMBER: HB 343/SB 270

PREPARED BY: Mathew Palmer

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation may have a positive effect on small businesses, and encourage new small business opportunities, specifically in the life sciences and cybersecurity industries. The potential projects to be funded through this legislation, specifically to include purpose (A) (1) large scale place-making projects and (A) (3) to attract new lead venture capital firms to fund start-up and emerging companies in Maryland, have the greatest potential for positive impact and new opportunities to small and start-up companies, creating greater opportunities for collaborations between academia and businesses in the transfer and commercialization of research and technology, and by attracting new growth capital to support the start-up and expansion of early stage companies.