

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 583
 Finance

(Senator Feldman)

Ways and Means

Maryland Small Business Innovation Research Technical Assistance Program -
 Establishment

This bill establishes the Maryland Small Business Innovation Research Technical Assistance Program, administered by the Maryland Technology Development Corporation (TEDCO). The program provides technical assistance to eligible small businesses to encourage and facilitate the receipt of grants under the federal Small Business Innovation Research and Technology Transfer (SBIR/STTR) programs. TEDCO may procure a nonprofit organization located in the State to provide services under the program.

Fiscal Summary

State Effect: General fund expenditures for TEDCO increase by about \$460,000 annually beginning in FY 2021, under the assumptions discussed below. Revenues are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	460,000	460,000	460,000	460,000	460,000
Net Effect	(\$460,000)	(\$460,000)	(\$460,000)	(\$460,000)	(\$460,000)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The purpose of the program is to provide technical assistance to small businesses in the State by:

- encouraging small businesses, including economically disadvantaged small businesses, to apply for grants under the federal SBIR/STTR programs; and
- providing grant applicants with technical assistance, including training assistance and assessments through Phases 0, I, and II of development, as those phases are defined.

To qualify for participation, a small business must:

- have its principal business operations located in the State, have more than half of its workforce working in the State, and intend to maintain its principal business operations in the State; and
- have no more than 50 employees.

TEDCO may also adopt regulations establishing additional eligibility criteria.

Current Law/Background:

TEDCO

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).

SBIR/STTR Programs and Funding

The U.S. Small Business Administration 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. 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. A related study on SBIR/STTR programs required by Chapter 306 of 2019 can be found on the Department of Commerce's website or by clicking [here](#).

State Expenditures: This estimate assumes that sufficient general funds are provided each year for TEDCO to (1) administer the program and (2) procure the services of a nonprofit to provide services under the program, as *authorized* by the bill. TEDCO advises that this is the more likely option, but it may still choose to provide technical assistance directly, rather than procuring a nonprofit to do so, which would likely reduce overall costs.

TEDCO estimates the cost to procure a nonprofit is approximately \$350,000 annually for a cohort of 20 companies. The cost to pay for expert review of applications for those companies is estimated at \$40,000 annually. TEDCO also advises that it requires one half-time employee to administer the program; the salary plus other related costs is estimated to be \$70,000 annually. TEDCO employees are not State employees. Accordingly, general fund expenditures increase by about \$460,000 annually beginning in fiscal 2021 to fund the program. This estimate assumes a full year of costs in fiscal 2021 despite the bill's October 1, 2020 effective date. To the extent that program implementation is delayed, costs may be lower in fiscal 2021.

Small Business Effect: Small businesses that receive technical assistance under the bill benefit significantly from an increased ability to secure SBIR/STTR grant funding.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 521 (Delegate Qi, *et al.*) - Ways and Means.

Information Source(s): Maryland Technology Development Corporation; Department of Legislative Services

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