

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 654
Ways and Means

(Delegate Qi)

Finance

Maryland Small Business Innovation Research and Technology Transfer
Incentive Program - Alterations

This bill modifies and clarifies requirements for the Maryland Small Business Innovation Research and Technology Transfer (SBIR/STTR) Incentive Program established by Chapters 8 and 25 of 2021. Under the bill, the program must prioritize awards and investments to eligible small businesses that are engaged in research and development activities that assist in the prevention of, preparedness for, or response to a public health crisis in the State. A recipient of funding under the program must remain a “qualified business” for at least two years, or return the funds. An existing coordination and marketing requirement is broadened to specifically include minority-owned, women-owned, and rural small businesses. Finally, defined terms used for purposes of qualifying under the program are clarified. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: The bill is not anticipated to affect overall revenues or expenditures for the program, but it may reallocate funding between eligible recipients.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Chapters 8 and 25 of 2021 established the Maryland SBIR/STTR program in the Maryland Technology Development Corporation (TEDCO) following a veto override of 2020 legislation.

SBIR/STTR grants are those awarded by the National Institutes of Health under the SBIR and STTR grant programs, respectively, or a similar program administered by another federal agency, for a business to engage in research and development that has a strong potential for commercialization.

To qualify for an award or investment under the program, a small business must (1) meet the existing definition of a qualified business in State law and (2) have received an SBIR/STTR Phase I or Phase II award during the six months immediately preceding the submission of its program application.

Subject to the above eligibility requirements, specified application requirements, and the availability of funding for the program, an eligible small business may apply for an award or investment of 25% of an SBIR/STTR award, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. Awards or investments may exceed the maximum amount under specified circumstances. TEDCO may make up to 20 Phase I awards or investments and 10 Phase II awards or investments per fiscal year. Businesses are limited to 1 award or investment per fiscal year and up to 3 awards or investments in total.

An award or investment recipient that fails to fulfill the eligibility and maintenance requirements of the program may be required to return all or part of the funds received under the program, as well as any accrued interest or fees. If the recipient does not remain in the State for at least two years after receiving program funds, the return is mandatory.

The program must coordinate with comparable State and county programs to conduct marketing and outreach and to provide assistance to eligible businesses under the program.

Maryland SBIR/STTR Incentive Matching Fund

The Maryland SBIR/STTR Incentive Matching Fund is established as a special, nonlapsing fund, administered by TEDCO. The fund may be used only to provide awards or investments to eligible small businesses and to pay the costs necessary to administer the program, including marketing, outreach, and technical assistance.

Qualified Business

For the purposes of TEDCO programs, “qualified business” generally means a business that, at the time of the first investment in the business under a program:

- either (1) has its principal business operations located in the State, has over half its workforce working in the State, and intends to maintain its principal business operations in the State after receiving an investment under the program or (2) is a

start-up business that is approved by the TEDCO investment committee and will, as a result of the investment, have a substantial economic impact in the State;

- has agreed to use the investment primarily to support business operations in the State or, in the case of a start-up company, establish and support business operations in the State;
- has up to 250 employees; and
- is not primarily engaged in specified industries or activities.

Small Business Effect: Under the bill, the program must prioritize awards and investments to eligible small businesses that are engaged in research and development activities that assist in the prevention of, preparedness for, or response to a public health crisis in the State. Depending on available funding for the program, this may lead to some small businesses receiving funding when they otherwise would not, and some small businesses not receiving funding when they otherwise would. The effect on any particular small business could be meaningful.

Additional Comments: The U.S. Small Business Administration Office of Technology administers the SBIR Program and the STTR Program. 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.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510