

**T50T01**  
**Maryland Technology Development Corporation**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$4,811	\$20,861	\$30,526	\$9,665	46.3%
<b>Total Funds</b>	<b>\$4,811</b>	<b>\$20,861</b>	<b>\$30,526</b>	<b>\$9,665</b>	<b>46.3%</b>

- Of the \$30.5 million in the fiscal 2008 allowance, \$25.0 million is for the Maryland Stem Cell Research Fund.
- Not including the stem cell fund, the allowance represents a \$335,000 decrease from the fiscal 2007 budget, which is driven by \$500,000 less for a working capital loan fund for companies affiliated with business incubators. Prior funds have sufficiently capitalized this program.
- The Maryland Technology Development Corporation (TEDCO) does not report personnel data through the State budget system because the agency's employees are not State employees, but the agency reports that it has 12 full-time State funded positions and 4 federally funded positions.

***Analysis in Brief***

**Major Trends**

***Investment Programs: Follow-on Funding Was Higher Than Ever in 2006; Company Sales Performance Varies:*** Follow-on funding for businesses receiving Maryland Technology Transfer Fund support came in at \$47 million in fiscal 2006, well above the estimate of \$15 million. The track record has varied for providing pre-seed or seed stage funding to at least six companies annually that reach product sales. The number of companies that execute license agreements for their technology has been four or five annually.

***Technology Transfer: Patent Support and Partnering Agreements Reach Their Objectives:*** TEDCO generally reached its objective to support more than 100 patent applications annually from fiscal 2004 to 2006 and to facilitate more than 25 partnering agreements annually by fiscal 2006.

Note: Numbers may not sum to total due to rounding.

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**Business Incubator Space and Technology Showcases Are on Track:** TEDCO supported more than 130,000 gross square feet of incubator space in fiscal 2005 and again in 2006. The agency is on track in sponsoring technology showcases at Maryland’s federal labs to help the labs present their intellectual property, ongoing research, and technology needs to potential licensees and collaborators.

## Issues

**Stem Cell Research Fund Details Are Taking Shape:** In July 2006, the members of the Stem Cell Research Commission were announced. This group reviews the proposed research process for applicant projects and makes final decisions about research grant awards. A scientific peer review committee met in early February 2007 to review and rank the scientific merit of applicant projects. January 8, 2007, was the deadline for applications for project grants. **TEDCO should brief the committees on the Maryland Stem Cell Research Fund, including the status of the peer review committee; conflict of interest rules for the research commission; to the extent possible, the types of projects proposed; and when research projects are expected to begin.**

**First Annual Report Released on Technology Commercialization at Universities and Affiliated Research Parks:** A report on technology commercialization at public universities and their affiliated research parks indicates that Maryland performs well in taking technologies through the patent application and licensing processes. However, the universities are not performing well in terms of reaping financial benefits from the commercialized technologies, and they devote relatively fewer resources to technology transfer offices. **TEDCO should brief the committees on new strategies that Maryland public universities are pursuing to boost commercialization.**

## Recommended Actions

	<u>Funds</u>
1. Reduce funds for stem cell research.	\$ 10,000,000
<b>Total Reductions</b>	<b>\$ 10,000,000</b>

## Updates

**TechStart Pilot Program Launched to Address Commercialization Gap:** A study of technology commercialization spending in eight states showed that Maryland has a middle or lower rank on various measures. TEDCO reports that the study helped identify Maryland’s gaps in the commercialization process, particularly in university-focused technology development, and a new program called TechStart has been launched on a pilot basis.

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***Outside Funding for Fiscal 2007 Totals \$3.1 Million:*** TEDCO aims to secure federal and other funds to support its technology transfer and development efforts. Fiscal 2007 outside funding totals \$3.1 million, and cumulative funding since 2001 represents nearly a 13 to 1 leverage of TEDCO funds put into programs.

***TEDCO's New Markets Tax Credit Application Turned Down:*** In October 2005, TEDCO submitted an application to the U.S. Department of the Treasury for a \$25 million allocation of New Markets Tax Credits. The awards were made in June 2006, and TEDCO did not receive any, but seven other Maryland entities received awards totaling \$589 million.

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**Maryland Technology Development Corporation**

***Operating Budget Analysis***

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**Program Description**

The Maryland Technology Development Corporation (TEDCO) was launched in 1998 to help commercialize the results of scientific research and development conducted by higher education institutions and private sector organizations. TEDCO also aims to promote new research activity and investments that lead to business development in Maryland.

To achieve its goals, TEDCO provides non-equity 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.

In 2001, TEDCO was authorized to create, manage, and provide funds for the statewide Maryland Technology Incubator Program. Technology business incubators offer start-up companies physical office space, research space, and an array of business services in hopes of generating new research and jobs.

**Performance Analysis: Managing for Results**

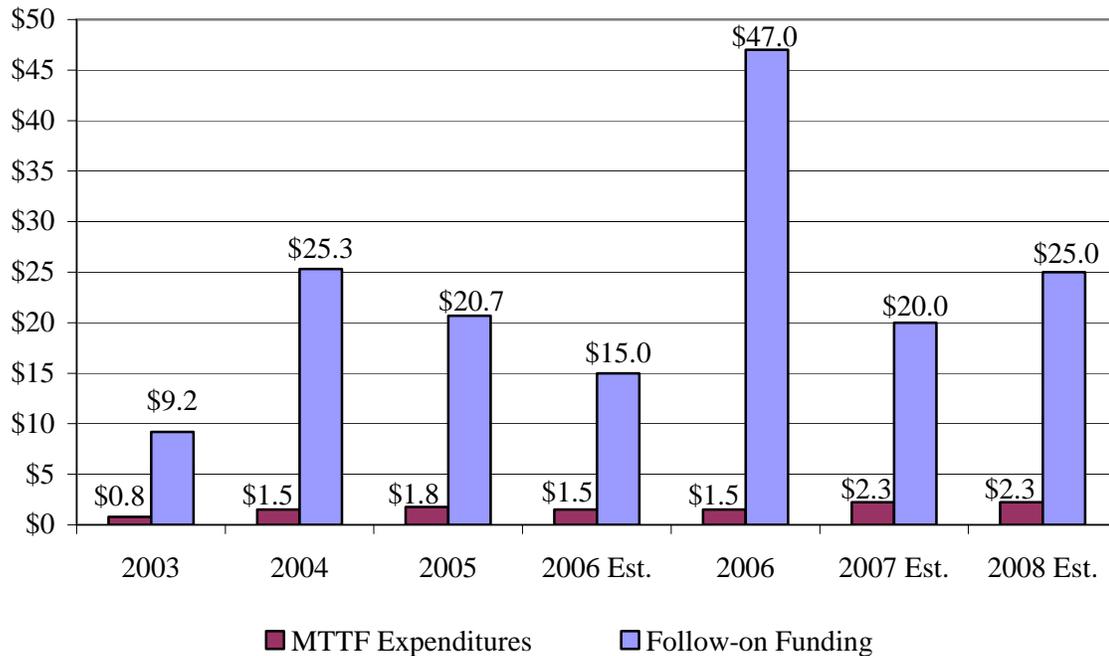
The TEDCO mission is to facilitate business creation and foster business growth in all regions of the State through the commercialization of technology. TEDCO aims to be Maryland's leading source of funding for technology transfer and development and entrepreneurial business assistance.

**Investment Programs: Follow-on Funding Was Higher Than Ever in 2006; Company Sales Performance Varies**

Several investment programs at TEDCO support its mission. One of these programs – the Maryland Technology Transfer Fund (MTTF) – provides seed investments to early stage technology companies that are economically viable but do not have the scope for a venture capital investment. The companies must partner with universities or federal laboratories in Maryland to receive funds. A measure of success for MTTF is the ability of funded start-ups to obtain follow-on funding for commercialization. The primary sources of follow-on funding include federal funds, venture capital and other equity investments, debt consolidation, and Department of Business and Economic Development (DBED) funds. TEDCO tracks follow-on funding for five years for each MTTF recipient.

Follow-on funding for MTTF recipients is shown in **Exhibit 1**. Fiscal 2006 came in at \$47.0 million, well above the estimate of \$15.0 million. Funds for MTTF were reduced from \$1.8 million to \$1.5 million in fiscal 2006, so TEDCO expected to make fewer awards and thus generate a lower follow-on funding amount. However, Exhibit 1 shows that TEDCO's awards have consistently generated significant follow-on funding.

**Exhibit 1**  
**Follow-on Funding for Recipients of TEDCO Investments**  
**Fiscal 2003-2008**  
**(\$ in Millions)**



Note: Follow-on funding is measured for companies receiving Maryland Technology Transfer Fund awards. Fiscal 2003 was cumulative follow-on funding to date.

Source: Maryland Technology Development Corporation; Governor’s Budget Books, Fiscal 2006-2008

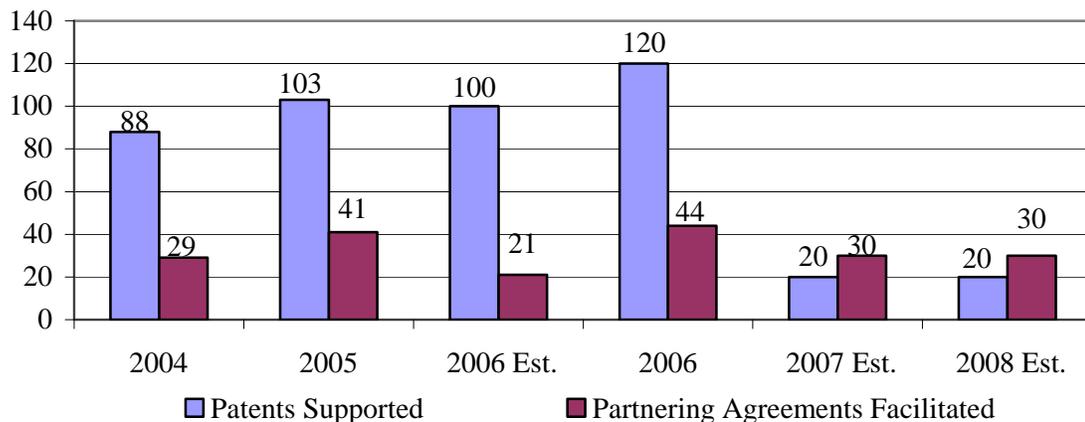
As another measure of its investment programs, TEDCO aims to provide pre-seed or seed stage funding to at least six companies each year that reach product sales by the end of the third year after the investment. In other words, this measure is tracked over three-year time frames. Of the four companies receiving TEDCO funds in fiscal 2002, none reached product sales by 2005. Of the 17 companies receiving funds in fiscal 2003, four reached sales by 2006. TEDCO also tracks the number of awardee companies that execute license agreements for their technology. Five companies reached this level in fiscal 2005, four reached it in 2006, and four are expected to reach it in 2007 and again in 2008. TEDCO helps companies work toward sales or technology licensing by assigning each one to a portfolio manager. The portfolio manager contacts the company monthly to discuss issues and link the company with investors and educational workshops.

## Technology Transfer: Patent Support and Partnering Agreements Reach Their Objectives

To measure its contribution to technology transfer, TEDCO tracks the number of patent applications by university faculty that it supports. The agency had an objective to support more than 100 applications annually from fiscal 2004 to 2006 with its Maryland University Intellectual Property Support Fund.

**Exhibit 2** shows that the patent objective was not reached in fiscal 2004, but it was exceeded in fiscal 2005 and 2006. The number is expected to dramatically decline in fiscal 2007 because TEDCO's original three-year funding commitment (at \$500,000 per year) for the patent program will end; however, the allowance includes \$100,000 to continue it at a more modest level. The motivation for patent funding stemmed from the findings of a study, prompted by a 2001 *Joint Chairmen's Report* request, which found Maryland ranks well in terms of federal research and development funds but near the middle of states in terms of commercializing research.

**Exhibit 2**  
**Patents Supported and Partnering Agreements Facilitated by TEDCO**  
**Fiscal 2004-2008**



Note: Patent applications are supported by TEDCO's University Patent Support Program, and partnering agreements include Maryland Technology Transfer Fund awards and agreements from TEDCO's federally funded technology transfer programs.

Source: Governor's Budget Books, Fiscal 2006-2008

Research partnering agreements are another indication of TEDCO's contribution to technology transfer. The agency has an objective to facilitate more than 25 partnering agreements annually by fiscal 2006 and at least 30 annually by 2008. Exhibit 2 shows that the objective was exceeded from fiscal 2004 to 2006. Partnering agreements include MTTF funding awards because a

written agreement between companies and their partner university or federal lab must be executed before awards are given. The measure also includes agreements emanating from TEDCO's federally funded technology transfer programs.

### **Business Incubator Space and Technology Showcases Are on Track**

TEDCO helps technology business growth by supporting the production of incubator space and organizing technology showcases. TEDCO supported more than 130,000 gross square feet of incubator space in fiscal 2005 and again in 2006. It expects to support about 65,000 gross square feet in fiscal 2007, but no capital funds are provided in the 2008 allowance and so zero square feet will be supported. Business incubator support is further discussed in the section on the Governor's proposed budget.

TEDCO sponsors technology showcases at Maryland's federal labs to help the labs present their intellectual property, ongoing research, and technology needs to potential licensees and collaborators. Showcase attendees include business owners and entrepreneurs, investors, scientists, and economic development professionals. TEDCO organizes four to five showcases each year. The State has more than 50 federal research facilities, including the National Institutes of Health, the National Institute of Standards and Technology, the National Aeronautical and Space Administration Goddard facility, Naval Surface/Naval Air Warfare Centers, and the Army Research Lab.

### **Governor's Proposed Budget**

The fiscal 2008 TEDCO allowance is budgeted as a State general fund grant of \$30.5 million. Of this amount, \$25.0 million is specified for stem cell research funding. Not including the stem cell funds, the allowance represents a 5.7% decrease from the fiscal 2007 working appropriation. **Exhibit 3** summarizes the major changes, and **Exhibit 4** shows the TEDCO budget by program. The stem cell funds are discussed further in Issue 1.

TEDCO does not submit personnel data through the State budget process, but the agency reports that it has 12 full-time State funded positions and 4 federally funded positions. Two of the State funded positions are new in fiscal 2007 and will support the Maryland Stem Cell Research Fund – the agency is currently working to fill the positions. The fiscal 2008 budget for salaries and wages is \$1,426,750; specifically, there is a \$76,750 increase over the 2007 appropriation to fund a cost-of-living adjustment and higher benefit costs.

Salaries and wages includes all employer payroll taxes; health, life, and disability insurance; 401k management; workers compensation and unemployment insurance; and educational benefits.

**Exhibit 3**  
**Governor’s Proposed Budget**  
**Maryland Technology Development Corporation**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
2007 Working Appropriation	\$20,861	\$20,861
2008 Governor’s Allowance	<u>30,526</u>	<u>30,526</u>
Amount Change	\$9,665	\$9,665
Percent Change	46.3%	46.3%
 <b>Where It Goes:</b>		
<b>Personnel Expenses</b>		
Salaries and wages.....		\$77
<b>Non-personnel Operating Expenses</b>		
Business incubator operating support.....		141
Other operating changes .....		-53
<b>Investment Programs</b>		
Stem Cell Research Fund increase .....		10,000
Incubator Company Loan Fund (for working capital) decreases because fiscal 2007 funds will cover the program’s needs.....		-500
<b>Total</b>		<b>9,665</b>

Note: Numbers may not sum to total due to rounding.

**Operating Budget Increases, Particularly for Business Incubator Support**

TEDCO operating activities are set to grow 6.4% in the allowance, particularly from an increase in operating support for business incubators, as shown in Exhibit 4. Business incubators offer start-up companies physical office space and an array of business services which can include marketing, accounting and finance, networking, finding sources of financing, and linking to universities and colleges. In the case of technology incubators, scientific research space such as wet lab space also is available. The goal is to provide guidance so client companies can “graduate” from the incubator and stand successfully on their own.

TEDCO business incubator support includes operating and capital funds. The agency allocated \$562,000 in fiscal 2007 for incubator operating support and provides \$704,000 in the allowance. Through fiscal 2006, TEDCO supported creation of 178,000 gross square feet of incubator space with more than \$5 million in PAYGO and capital funding.

**Exhibit 4**  
**TEDCO State Budget**  
**Fiscal 2005-2008**  
**(\$ in Thousands)**

<u>Operations</u>	<u>2005</u>	<u>2006</u>	<u>Working Approp. 2007.</u>	<u>Allowance 2008</u>	<u>Change 2007-2008</u>	<u>% Change 2007-2008</u>
Program Development and Outreach	\$399	\$361	\$322	\$261	-\$61	-18.9%
Technology Transfer Programs and Services	1,166	1,280	1,374	1,417	43	3.2%
Business Incubation	562	363	562	704	141	25.2%
Executive Management	340	357	303	344	41	13.5%
<b>Operations Subtotal</b>	<b>\$2,467</b>	<b>\$2,361</b>	<b>\$2,561</b>	<b>\$2,726</b>	<b>\$165</b>	<b>6.4%</b>
<b>Investments</b>						
Maryland Technology Transfer Fund	\$1,750	\$1,500	\$2,250	\$2,250	0	0.0%
University Technology Development Fund	750	450	450	450	0	0.0%
University Intellectual Property Support Fund	500	500	100	100	0	0.0%
Incubator Company Loan Fund (for Working Capital)	0	0	500	0	-500	-100.0%
<b>Investments Subtotal</b>	<b>\$3,000</b>	<b>\$2,450</b>	<b>\$3,300</b>	<b>\$2,800</b>	<b>-\$500</b>	<b>-15.2%</b>
Capital – Business Incubator Investment Program	2,500*	0	0	0	0	0
<b>Total Operations, Investments, and Capital</b>	<b>\$7,967</b>	<b>\$4,811</b>	<b>\$5,861</b>	<b>\$5,526</b>	<b>-\$335</b>	<b>-5.7%</b>
Stem Cell Research Fund	0	0	15,000	25,000	10,000	66.7%
<b>Grand Total</b>	<b>\$7,967</b>	<b>\$4,811</b>	<b>\$20,861</b>	<b>\$30,526</b>	<b>\$9,665</b>	<b>46.3%</b>

\*General Obligation Bond Funds

Source: Maryland Technology Development Corporation

**Three Investment Programs Are Level Funded; One Declines Because Prior Funds Will Cover 2008**

TEDCO has four primary investment programs, including a new working capital loan fund for companies affiliated with business incubators. Overall, investment programs decrease \$500,000 in the fiscal 2008 allowance, not including the proposed stem cell research fund.

**Maryland Technology Transfer Fund:** MTTF awards seed funding to early-stage companies that partner with universities or federal laboratories in Maryland. The allowance includes \$2.25 million for this program. MTTF awardee companies must have a commercialization strategy to qualify, and awards are up to \$75,000 in non-equity investments per company. The companies serve

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as a “farm team” for DBED’s Challenge program, which targets businesses at a later stage of development. MTTF awardees also often go on to participate in the Maryland Industrial Partnerships Program at the University of Maryland, College Park. In February 2005, MTTF absorbed the TEDCO Federal Lab Partnership Program, which offered pre-seed funding for partnerships between new companies and federal labs. TEDCO has memoranda of understanding with 12 federal research facilities.

***University Technology Development Fund:*** The University Technology Development Fund provides pre-seed funding for technologies at the earliest stages of the development process. The allowance includes \$450,000 for this program. Program awards go to university technology licensing offices, with initial awards up to \$50,000 each. The offices use the funds to support early stage proof of concept testing, prototype development, feasibility demonstrations, and similar activities.

***University Intellectual Property Support Fund:*** The Maryland University Intellectual Property Support Fund provides pre-seed funding for universities’ patent application activities. The allowance includes \$100,000 to continue this program. TEDCO’s three-year, \$500,000 annual commitment to the program ended in fiscal 2006. Proposals for these funds are required to include a first U.S. patent application. The funds are awarded based on a formula that factors in universities’ research expenditures, invention disclosures, and patents awarded per \$10 million in research expenditures. The formula also includes an equity component to give institutions with smaller research portfolios an advantage, and a minimum of \$20,000 per year has been awarded to institutions without a technology transfer office.

***Incubator Company Loan Fund:*** The new incubator company revolving loan fund does not receive funds in the allowance because initial funding sufficiently capitalized the program. TEDCO received a \$325,000 start-up grant from the federal Economic Development Administration for the fund, and TEDCO provided a \$325,000 match. The State provided another \$500,000 in fiscal 2007 to ensure all areas of the State may be served. The fund provides working capital loans of \$15,000 to \$50,000 to companies affiliated with incubators in economically distressed areas of the State.

## ***Issues***

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### **1. Stem Cell Research Fund Details Are Taking Shape**

The fiscal 2008 allowance includes \$25 million for the Maryland Stem Cell Research fund. The fund was established by Chapter 19 of 2006 to support stem cell research and development at Maryland research institutions or private companies. The initial funding is \$15 million in fiscal 2007.

In July 2006, the members of the Stem Cell Research Commission were announced. This group reviews the proposed research process for each project and makes final decisions about research grant and loan awards. The research commission includes 15 members, as directed by statute, who include the Attorney General or designee, patient advocates, individuals with experience in biotechnology, scientists who work for the University System of Maryland and the Johns Hopkins University and do not engage in stem cell research, bioethicists, and individuals with expertise in biomedical ethics as it relates to religion. The research commission is carefully considering conflict of interest rules so that commission members do not inappropriately influence commission decisions.

The research commission recently formed the scientific peer review committee, which considers how the projects adhere to medical research standards. This committee met in early February 2007 to review and rank proposals for consideration by the research commission. Members of the peer review committee are not eligible to receive a grant or loan from the fund and may not reside in Maryland.

#### **Two Types of Projects Sought: One May Be Funded Up to \$1.5 Million; the Other May Be Funded Up to \$200,000**

In November 2006, the research commission issued two requests for applications for project grants, and the deadlines for submission were January 8, 2007. The requests call for projects involving basic as well as translational research with human stem cells of all types. Translational research means that there is relevance and potential use for clinical applications for patients.

One request for applications is designed for investigators with preliminary data supporting the research topic, and funding will be up to \$500,000 of direct costs per year for up to three years. The second request for applications is designed for investigators who are new to the stem cell field and are forming new approaches or models without any preliminary data – these may be funded up to \$100,000 of direct costs per year for up to two years.

TEDCO received 41 applications for projects that have preliminary data, and the amount requested for these is \$70.7 million. Another 45 applications were received from investigators who are new to the field, and the amount requested for these is \$10.1 million. Investigators are allowed to include an indirect cost rate of up to 15% of direct costs in their proposals. Awards are expected to be made in March 2007.

**TEDCO should brief the committees on the Maryland Stem Cell Research Fund, including:**

- **the status of the peer review committee;**
- **conflict of interest rules for the research commission;**
- **to the extent possible, the types of projects proposed; and**
- **when research projects are expected to begin.**

## **2. First Annual Report Released on Technology Commercialization at Universities and Affiliated Research Parks**

The 2006 *Joint Chairmen's Report* requests that TEDCO and the University System of Maryland (USM) provide annual reports on technology commercialization at universities and their affiliated research parks. The request is motivated by significant State investments in five university-affiliated research parks, totaling \$30.6 million through fiscal 2006. These research parks bring together businesses and faculty to enhance lines of research and commercialize technology.

TEDCO met with representatives of the USM research institutions as well as business incubators and research parks to determine appropriate metrics of performance. (Note that the Johns Hopkins University is not involved because the report only considers public universities. Johns Hopkins accounts for about 60% of Maryland's university technology commercialization.) The agreed upon metrics for universities are:

- research expenditures;
- invention disclosures;
- new patent applications filed;
- patent expenditures;
- licenses and options; and
- full-time equivalent licensing staff.

TEDCO normalizes the invention disclosure, patent application, and license/option measures to account for spending differences among the institutions. Furthermore, the universities track cumulative patent application expenditures and intellectual property reimbursements from technologies that become licensed.

### **University Peers Are Identified but Do Not Correspond to Those Agreed Upon by the Maryland Higher Education Commission**

Peer institutions were identified for comparison purposes in the report. TEDCO and USM institutions composed slightly different lists of peers, and neither list exactly matches the peers for each institution agreed upon by USM and the Maryland Higher Education Commission. TEDCO reports that peer comparisons will be harmonized for future reports. The report also compares USM institutions to the national average of the more than 150 research institutions that provide data to the Association of University Technology Managers.

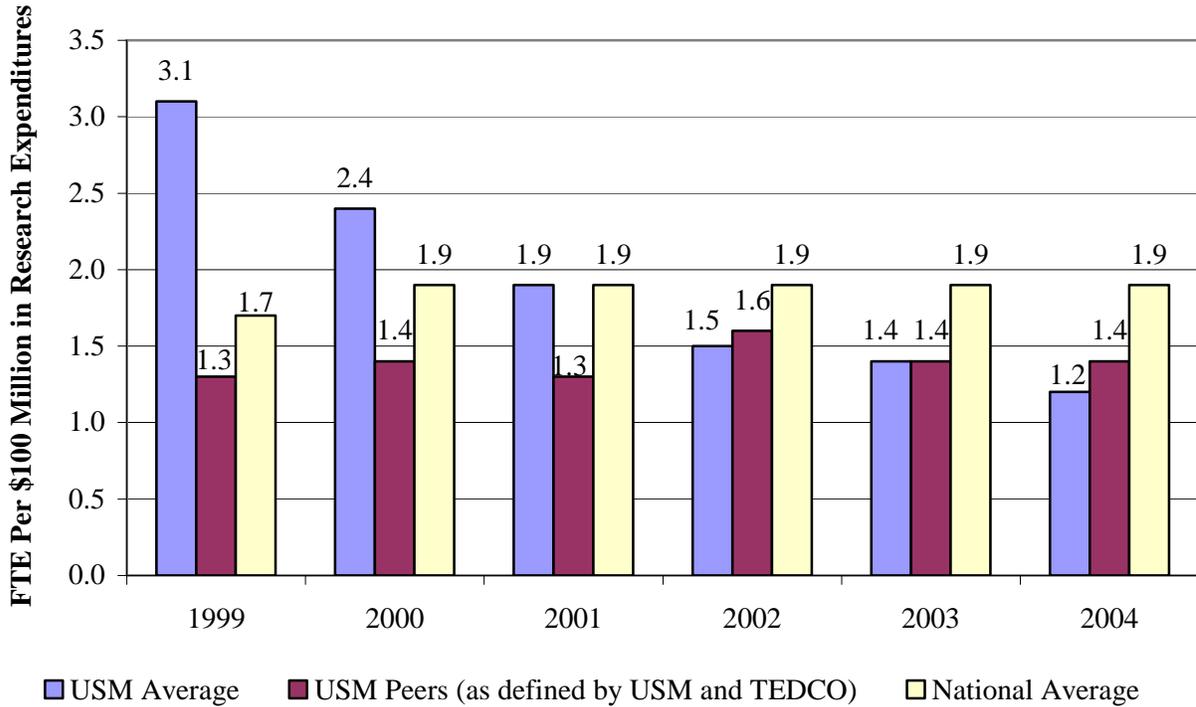
### **Financial Returns and Resources Devoted to Technology Transfer Offices Lag in Maryland**

The first annual report was submitted in January 2007 and looks at university data from fiscal 1999 to 2004. The report indicates that USM institutions can effectively convert invention disclosures to patent applications and patent applications to licenses as compared to the selected peers and the national average. However, the financial returns from the licenses, as measured by licensing income and intellectual property reimbursements, lags behind peers and the national average. The lack of financial returns may be a result of Maryland institutions devoting fewer resources to technology transfer offices than the peers and the national average, as shown in **Exhibit 5**.

TEDCO and USM were asked to report on university-affiliated research parks and their business incubators, but TEDCO reports that they are still studying benchmarks for these entities. They anticipate having more information in next year's report.

**TEDCO should brief the committees on new strategies that Maryland public universities are pursuing to boost commercialization.**

**Exhibit 5**  
**University System of Maryland Research Institutions**  
**Technology Transfer Office Staffing**  
**Fiscal 1999-2004**



FTE: Full-time Equivalent Employee

Source: Maryland Technology Development Corporation

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funds for stem cell research. It is not known whether all of the \$15 million in fiscal 2007 funds will be spent in 2007, and so the program should receive no more than level funding.	\$ 10,000,000	GF
<b>Total General Fund Reductions</b>	<b>\$ 10,000,000</b>	

## *Updates*

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### **1. TechStart Pilot Program Launched to Address Commercialization Gap**

In the 2005 *Joint Chairmen's Report*, the budget committees requested that TEDCO analyze efforts in competitor states to commercialize technology developed at higher education institutions and federal laboratories. Eight comparison states were selected for the study: the five competitor states of Massachusetts, New Jersey, North Carolina, Pennsylvania, and Virginia; and three benchmark states including Georgia, Michigan, and Ohio for insight into alternative approaches.

The study compared spending on university-focused technology development, financing assistance, general commercialization assistance, and other commercialization expenditures, as discussed in the 2006 session TEDCO budget analysis by the Department of Legislative Services. The study found that Maryland has a middle or lower rank among the eight states' spending on technology commercialization.

TEDCO reports that the study helped identify Maryland's gaps in the commercialization process, particularly in university-focused technology development. As a result, TEDCO has designed the TechStart Program to fund university based teams that determine whether particular technologies developed at universities would have the potential to be commercialized through a start-up company. The TEDCO Board of Directors has allocated \$150,000 in a reserve account to support a pilot version of this new program in fiscal 2007. The program will fund up to 10 projects at up to \$15,000 each.

### **2. Outside Funding for Fiscal 2007 Totals \$3.1 Million**

TEDCO aims to secure federal and other funds to support its technology transfer and development efforts. **Exhibit 6** shows that, from August 2000 to February 13, 2007, TEDCO had secured \$12.8 million from outside funding sources. Outside funding specifically for fiscal 2007 is \$3.1 million. The cumulative funding represents nearly a 13 to 1 leverage of TEDCO funds put into programs.

**Exhibit 6**  
**TEDCO’s Outside Funding Sources**  
**Fiscal 2001-February 2007**

<u>Program</u>	<u>Amount</u>	<u>Source</u>	<u>TEDCO Match</u>	<u>Year Funded</u>	<u>Term of Grant</u>
Maryland Minority R&D Initiative (MMRDI) ♦	\$592,337	SBA	\$0	FY07	2 years
TEDCO/MRASC Initiative ♦	1,000,000	U.S. Army	0	FY07	2 years
Fort Detrick Technology Transfer Initiative II ♦	1,500,000	U.S. Army	0	FY07	2 years
Fort Detrick Technology Transfer Initiative I ♦	799,697	U.S. Army	0	FY05	2 years
Working Capital Loan Fund ♦	325,000	EDA	325,000	FY05	2 years
NAVAir Technology Commercialization Initiative ♦	1,311,866	U.S. Navy	0	FY05	18 months
NAVAir Technology Commercialization Initiative	1,000,000	U.S. Navy	0	FY02	2 years
Aberdeen Technology Transfer Initiative II	1,100,000	U.S. Army	0	FY05	18 months
Aberdeen Technology Transfer Initiative I	965,000	U.S. Army	0	FY04	1 year
ACTiVATE University of Maryland Baltimore Co.	600,000	NSF	60,000	FY05	2 years
Maryland Technology Partnership for Innovation	600,000	NSF	60,000	FY04	2 years
Maryland Technology Partnership for Innovation	600,000	NSF	60,000	FY01	2 years
New Markets Growth Fund (Dingman Center – University of Maryland, College Park ♦♦	500,000	SBA/ FHLBAtl	0	FY02	3 years
Mountain Maryland SBIR Initiative ♦	78,950	SBA	42,720	FY05	1 year
Maryland Minority SBIR Initiative ♦	225,000	SBA	150,000	FY02 and 03	2 years
Mid-Atlantic Regional Technology Transfer Center ♦	439,000	NASA	0	FY01	4 years
eReadiness Maryland ♦	210,000	private/EDA	100,000	FY01	2 years
eReadiness Study of Western Maryland	50,000	EDA/ARC	25,000	FY03	1 year
eReadiness Study of the Eastern Shore	25,000	USDA	15,000	FY03	1 year
Rural Business Incubation Initiative ♦	494,739	SBA	0	FY05	18 months
Best Practices in Business Incubation ♦	200,000	EDA	160,000	FY02	2 years
Council of State Governments ♦	50,000	CSG	0	FY04	1 year
Council of State Governments ♦	99,997	CSG	0	FY05	1 year
American Society of Mechanical Engineers – Fellow ♦	40,000	ASME	0	FY02	2 years
<b>Total Approved August 2000 through February 13, 2007</b>	<b>\$12,806,586</b>		<b>\$997,720</b>		

**Leverage of TEDCO funds 12.84 : 1**

- ♦ Funds flow through TEDCO
- ♦♦ \$166,000 flows through TEDCO

ASME: American Society of Mechanical Engineers  
 CSG: Council of State Governments  
 EDA: U.S. Department of Commerce - Economic Development Administration  
 MRASC: Maryland Research and Applied Sciences Consortium (Consortium of Historically Black Colleges and Universities in Maryland)  
 NASA: National Aeronautics and Space Administration  
 NSF: National Science Foundation  
 SBA/FHLBAtl: U.S. Small Business Administration/Federal Home Loan Bank of Atlanta  
 SBIR: Small Business Innovative Research  
 USDA: U.S. Department of Agriculture

Source: Maryland Technology Development Corporation

### **3. TEDCO’s New Markets Tax Credit Application Turned Down**

In October 2005, TEDCO submitted an application to the U.S. Department of the Treasury for a \$25 million allocation of New Markets Tax Credits. The awards were made in June 2006, and TEDCO did not receive any, but seven other Maryland entities received awards totaling \$589 million.

These tax credits allow investors to receive a credit against federal income taxes for making qualified equity investments in designated community development entities. The development entity, which in this case would have been TEDCO, in turn makes investments in low-income communities. Investors receive a credit up to 39% of the investment amount that is claimed over a seven-year period. The New Markets Tax Credit program represents a significant source of federal funds for new businesses in distressed areas.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets Maryland Technology Development Corporation (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$4,811	\$0	\$0	\$0	\$4,811
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
<b>Actual Expenditures</b>	<b>\$4,811</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,811</b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$20,861	\$0	\$0	\$0	\$20,861
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$20,861</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,861</b>

Note: Numbers may not sum to total due to rounding.

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## ***Audit Findings***

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Prior to fiscal 2004, TEDCO received its funding primarily from the Department of Business and Economic Development’s Enterprise Fund, and its activities were subject to examination by the Office of Legislative Audits during audits of the department. Beginning in fiscal 2004, TEDCO received a separate general fund appropriation, and so TEDCO is now audited as a stand-alone entity.

Audit Period for Last Audit:	July 1, 2003 – June 15, 2006
Issue Date:	November 2006
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

***Finding 1:*** Controls over disbursement transactions were not sufficient.

**Object/Fund Difference Report  
Maryland Technology Development Corp**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, and Contributions	\$ 4,811,000	\$ 20,861,000	\$ 30,526,000	\$ 9,665,000	46.3%
<b>Total Objects</b>	<b>\$ 4,811,000</b>	<b>\$ 20,861,000</b>	<b>\$ 30,526,000</b>	<b>\$ 9,665,000</b>	<b>46.3%</b>
<b>Funds</b>					
01 General Fund	\$ 4,811,000	\$ 20,861,000	\$ 30,526,000	\$ 9,665,000	46.3%
<b>Total Funds</b>	<b>\$ 4,811,000</b>	<b>\$ 20,861,000</b>	<b>\$ 30,526,000</b>	<b>\$ 9,665,000</b>	<b>46.3%</b>

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.