

SENATE BILL 765

C8

4lr2896

By: **Senator Hayes**

Introduced and read first time: February 1, 2024

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Economic Development – Business Diversity Incubator Program and Fund –**
3 **Established**

4 FOR the purpose of establishing the Business Diversity Incubator Program and Fund in
5 the Department of Commerce to provide grants to certain business entities to
6 establish certain business incubators; and generally relating to the establishment of
7 the Business Diversity Incubator Program and Fund.

8 BY repealing and reenacting, without amendments,
9 Article – Economic Development
10 Section 1–101(a) and (c)
11 Annotated Code of Maryland
12 (2018 Replacement Volume and 2023 Supplement)

13 BY adding to
14 Article – Economic Development
15 Section 5–2501 through 5–2506 to be under the new subtitle “Subtitle 25. Business
16 Diversity Incubator Program”
17 Annotated Code of Maryland
18 (2018 Replacement Volume and 2023 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
20 That the Laws of Maryland read as follows:

Article – Economic Development

22 1–101.

23 (a) In this division the following words have the meanings indicated.

24 (c) “Department” means the Department of Commerce.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **SUBTITLE 25. BUSINESS DIVERSITY INCUBATOR PROGRAM.**

2 **5-2501.**

3 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
4 **INDICATED.**

5 **(B) “FUND” MEANS THE BUSINESS DIVERSITY INCUBATOR FUND.**

6 **(C) “PROGRAM” MEANS THE BUSINESS DIVERSITY INCUBATOR PROGRAM.**

7 **(D) “QUALIFIED INCUBATOR” MEANS A FOR-PROFIT ORGANIZATION,**
8 **NONPROFIT ORGANIZATION, B CORPORATION, PUBLIC-PRIVATE PARTNERSHIP, OR**
9 **SOCIAL ENTERPRISE IN THE STATE THAT:**

10 **(1) PRIMARILY SERVES OR WILL PRIMARILY SERVE BUSINESSES IN**
11 **THE STATE;**

12 **(2) REQUIRES OR WILL REQUIRE PARTICIPATING BUSINESSES TO**
13 **ENGAGE IN A FORMAL INCUBATOR PROGRAM DESIGNED TO ADVANCE EARLY-STAGE**
14 **BUSINESSES;**

15 **(3) IS STAFFED OR WILL BE STAFFED BY AT LEAST ONE INDIVIDUAL**
16 **DEDICATED TO MENTORING BUSINESSES AND GUIDING BUSINESSES THROUGH THE**
17 **PROGRAM;**

18 **(4) IS DIRECTED BY AN INDIVIDUAL WHO HAS COMPLETED A**
19 **TRAINING PROGRAM FOCUSED ON OPERATING A BUSINESS INCUBATOR TARGETING**
20 **SOCIALLY AND ECONOMICALLY DISADVANTAGED ENTREPRENEURS, OR HELPING**
21 **SOCIALLY AND ECONOMICALLY DISADVANTAGED ENTREPRENEURS SECURE**
22 **INVESTMENT, THAT INCLUDED TOPICS SUCH AS:**

23 **(I) DIVERSITY, EQUITY, AND INCLUSION SOLUTIONS;**

24 **(II) BUILDING WEALTH IN DIVERSE COMMUNITIES;**

25 **(III) NAVIGATING DIVERSE TECH ENTREPRENEURSHIP;**

26 **(IV) RISK, LEGAL ISSUES, AND SECURITIES AND EXCHANGE**
27 **COMMISSION REGULATIONS;**

28 **(V) THE DUE DILIGENCE PROCESS FOR EARLY-STAGE**
29 **INVESTMENTS;**

1 (VI) ACCOUNTING, TAXES, AND EXITS FOR COMPANIES AND
2 FOUNDERS;

3 (VII) UNDERSTANDING AND MITIGATING CONSCIOUS AND
4 UNCONSCIOUS BIAS; AND

5 (VIII) CORPORATE BOARD GOVERNANCE, HUMAN RESOURCES,
6 PROCUREMENT, PRODUCT DEVELOPMENT, AND CORPORATE INNOVATION; AND

7 (5) WAS ESTABLISHED ON OR AFTER JANUARY 1, 2012.

8 5-2502.

9 (A) (1) THERE IS A BUSINESS DIVERSITY INCUBATOR PROGRAM IN THE
10 DEPARTMENT.

11 (2) THE PURPOSE OF THE PROGRAM IS TO PROVIDE GRANTS TO
12 QUALIFIED INCUBATORS TO ESTABLISH DIVERSE AND EFFECTIVE BUSINESS
13 INCUBATORS IN THE STATE.

14 (B) (1) THE DEPARTMENT SHALL ADMINISTER THE PROGRAM.

15 (2) THE DEPARTMENT SHALL HIRE AT LEAST ONE FULL-TIME
16 COORDINATOR TO ADMINISTER THE PROGRAM.

17 5-2503.

18 (A) EACH FISCAL YEAR, THE DEPARTMENT SHALL AWARD GRANTS IN
19 ACCORDANCE WITH THIS SECTION.

20 (B) (1) THE DEPARTMENT MAY AWARD A GRANT UNDER THE PROGRAM
21 FOR:

22 (I) PLANNING THE ESTABLISHMENT OF A QUALIFIED
23 INCUBATOR OR PLANNING FOR A QUALIFIED INCUBATOR'S LONG-TERM
24 SUSTAINABILITY;

25 (II) CAPITAL IMPROVEMENTS, SECURING REAL ESTATE,
26 RENOVATIONS, AND THE PURCHASE OF CAPITAL EQUIPMENT TO ESTABLISH OR
27 GROW A QUALIFIED INCUBATOR; OR

28 (III) OPERATING AND PROGRAM EXPENSES ASSOCIATED WITH
29 SUPPORTING PROGRAMS.

1 **(2) EXCEPT IN THE FIRST YEAR OF A GRANT, GRANTS AWARDED**
2 **UNDER THE PROGRAM MAY NOT BE USED TO SUPPORT MORE THAN 25% OF THE**
3 **OPERATING EXPENSES OF A QUALIFIED INCUBATOR.**

4 **(3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH,**
5 **GRANTS AWARDED UNDER THE PROGRAM SHALL RENEW AND BE AWARDED TO A**
6 **QUALIFIED INCUBATOR EACH FISCAL YEAR OF THE PROGRAM WITHOUT FURTHER**
7 **APPLICATION.**

8 **(II) THE RENEWAL OF A GRANT IS SUBJECT TO THE QUALIFIED**
9 **INCUBATOR'S COMPLIANCE WITH THE TERMS OF THE GRANT INCLUDING ECONOMIC**
10 **IMPACT METRICS PROPOSED IN THE APPLICATION FOR THE GRANT AND ON A**
11 **COMPETITIVE BASIS WITH OTHER QUALIFIED INCUBATORS APPLYING FOR**
12 **FUNDING.**

13 **(4) FOR ANY FISCAL YEAR, AN ORGANIZATION MAY NOT RECEIVE A**
14 **GRANT UNDER THE PROGRAM THAT IS LESS THAN \$100,000 OR EXCEEDS \$400,000.**

15 **(C) (1) THE DEPARTMENT SHALL ESTABLISH A COMPETITIVE**
16 **APPLICATION PROCESS FOR GRANTS MADE UNDER THE PROGRAM.**

17 **(2) THE DEPARTMENT SHALL AWARD AT LEAST HALF OF THE MONEY**
18 **APPROPRIATED TO THE PROGRAM TO ORGANIZATIONS THAT PARTICIPATE IN §**
19 **14-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE AND GIVE**
20 **PREFERENCE TO QUALIFIED INCUBATORS THAT:**

21 **(I) HAVE A PROGRAM MANAGED BY SOCIALLY OR**
22 **ECONOMICALLY DISADVANTAGED INDIVIDUALS;**

23 **(II) ARE LOCATED IN A FEDERALLY RECOGNIZED HUB ZONE, A**
24 **STATE QUALIFIED OPPORTUNITY ZONE, OR AN UNDERSERVED COMMUNITY;**

25 **(III) HAVE EXPERIENCE SUPPORTING COMPANIES IN THE**
26 **START-UP STAGE;**

27 **(IV) SERVE COMPANIES LED BY SOCIALLY OR ECONOMICALLY**
28 **DISADVANTAGED INDIVIDUALS AND HAVE AN ECONOMIC IMPACT ON UNDERSERVED**
29 **COMMUNITIES; OR**

30 **(V) HAVE ESTABLISHED A PRESENCE IN AN UNDERSERVED**
31 **COMMUNITY.**

32 **5-2504.**

1 **(A) (1) THE DEPARTMENT AND A GRANT RECIPIENT SHALL EXECUTE A**
2 **PROGRAM AGREEMENT.**

3 **(2) THE GRANT RECIPIENT SHALL COMPLY WITH THE TERMS OF THE**
4 **PROGRAM AGREEMENT.**

5 **(3) THE DEPARTMENT MAY EXERCISE ANY REMEDY AUTHORIZED BY**
6 **LAW IF THE GRANT RECIPIENT:**

7 **(I) VIOLATES ANY PROVISION OF THE PROGRAM AGREEMENT;**
8 **OR**

9 **(II) DOES NOT MEET ANY REQUIREMENT UNDER THIS SECTION.**

10 **(B) (1) ON OR BEFORE SEPTEMBER 1, 2025, AND EACH SEPTEMBER 1**
11 **THEREAFTER, AN ORGANIZATION THAT RECEIVES A GRANT UNDER THE PROGRAM**
12 **SHALL REPORT TO THE DEPARTMENT DOCUMENTING HOW THE ORGANIZATION**
13 **USED THE GRANT MONEY RECEIVED IN THE IMMEDIATELY PRECEDING FISCAL YEAR.**

14 **(2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS**
15 **SUBSECTION SHALL INCLUDE:**

16 **(I) INFORMATION ABOUT THE USE OF THE GRANT;**

17 **(II) THE ECONOMIC IMPACT OF THE GRANT; AND**

18 **(III) ANY OTHER INFORMATION THE DEPARTMENT CONSIDERS**
19 **NECESSARY TO DETERMINE THE EFFECTIVENESS AND IMPACT OF THE PROGRAM.**

20 **(3) ON OR BEFORE DECEMBER 31, 2025, AND EVERY YEAR**
21 **THEREAFTER, THE DEPARTMENT SHALL REPORT TO THE GENERAL ASSEMBLY, IN**
22 **ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE, ON THE**
23 **FOLLOWING INFORMATION FOR THE PRECEDING FISCAL YEAR:**

24 **(I) THE NUMBER OF GRANTS AWARDED UNDER THE PROGRAM;**

25 **(II) THE AMOUNT OF EACH GRANT AWARDED UNDER THIS**
26 **SECTION; AND**

27 **(III) THE NAME AND LOCATION OF EACH ORGANIZATION**
28 **AWARDED A GRANT UNDER THE PROGRAM.**

29 **5-2505.**

1 (A) THERE IS A BUSINESS DIVERSITY INCUBATOR FUND.

2 (B) THE PURPOSE OF THE FUND IS TO FUND GRANTS AWARDED UNDER THE
3 PROGRAM IN ACCORDANCE WITH THIS SECTION.

4 (C) THE DEPARTMENT SHALL ADMINISTER THE FUND.

5 (D) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT TO
6 REVERSION UNDER § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

7 (E) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE
8 COMPTROLLER SHALL ACCOUNT FOR THE FUND.

9 (F) THE FUND CONSISTS OF:

10 (1) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND

11 (2) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR
12 THE BENEFIT OF THE FUND.

13 (G) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
14 THE FUND MAY BE USED ONLY TO PROVIDE GRANTS UNDER THE PROGRAM.

15 (2) UP TO 15% OF THE ANNUAL APPROPRIATION TO THE FUND MAY
16 BE USED FOR THE ADMINISTRATION OF THE FUND AND THE PROGRAM.

17 (H) FOR EACH OF FISCAL YEARS 2026 THROUGH 2031, THE GOVERNOR MAY
18 INCLUDE IN THE ANNUAL BUDGET BILL AN APPROPRIATION OF \$5,000,000 TO THE
19 FUND.

20 (I) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND IN
21 THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.

22 **5-2506.**

23 NOTHING IN THIS SUBTITLE MAY BE CONSTRUED TO PROHIBIT AN
24 ORGANIZATION FROM RECEIVING FUNDS FROM A GOVERNMENT SOURCE OTHER
25 THAN THE PROGRAM.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
27 1, 2024. It shall remain effective for a period of 7 years and, at the end of June 30, 2031,
28 this Act, with no further action required by the General Assembly, shall be abrogated and
29 of no further force and effect.