

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 582

(The Speaker, *et al.*) (By Request - Administration)

Ways and Means

Finance

Economic Development - Entrepreneurial Innovation Programs - Establishment
(Pava LaPere Legacy of Innovation Act of 2024)

This Administration bill establishes the Pava LaPere Innovation (PLI) Acceleration Grant Program and the Baltimore Innovation Initiative (BII) Pilot Program. Both programs are administered by the Maryland Technology Development Corporation (TEDCO) and provide funding for certain technology start-up companies, subject to specified eligibility criteria. Each fiscal year, the Governor must include an appropriation for the PLI Program in the annual budget bill (no amount is specified); for fiscal 2025 and 2026, the Governor must include in the annual budget bill an appropriation of \$1.5 million for the BII Pilot Program. Eligible universities must contribute up to \$50,000 annually to be able to participate in the BII Pilot Program. The \$1.0 million annual mandated appropriation for the Business Telework Assistance Grant (BTAG) Program is repealed. **The bill takes effect July 1, 2024; the BII Pilot Program terminates June 30, 2027.**

Fiscal Summary

State Effect: Net general fund expenditures increase by \$1.0 million annually from FY 2025 through 2027 and decrease by \$0.5 million annually beginning in FY 2028. Other revenues and expenditures reflect “eligible university” contributions to, and awards from, the BII Pilot Program. The fiscal 2025 budget includes \$0.5 million for the PLI Program, \$1.5 million for the BII Pilot Program, and a \$1.0 million reduction for the BTAG Program, contingent on legislation enacting the programs and repealing the funding mandate, respectively. **This bill eliminates an annual mandated appropriation beginning in FY 2025 and establishes a mandated appropriation for FY 2026 only.**

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
NonBud Rev.	\$850,000	\$850,000	\$850,000	\$0	\$0
GF Expenditure	\$1,000,000	\$1,000,000	\$1,000,000	(\$500,000)	(\$500,000)
NonBud Exp.	\$850,000	\$850,000	\$850,000	\$0	\$0
Higher Ed Exp.	\$325,000	\$325,000	\$325,000	\$0	\$0
Net Effect	(\$1,325,000)	(\$1,325,000)	(\$1,325,000)	\$500,000	\$500,000

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

Local Effect: Local expenditures may increase from FY 2025 through 2027 to provide the annual required contribution under the BII Pilot Program and may further increase due to additional, likely limited, operational and/or administrative costs. Local revenues are likely not affected.

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services agrees, in part, with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Pava LaPere Innovation Acceleration Grant Program

The PLI Acceleration Grant Program is established in and administered by TEDCO. The purpose of the program is to foster growth of the entrepreneurial innovation ecosystem in the State by providing grants to technology-based start-up companies that:

- are founded by students of postsecondary institutions located in the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA); and
- have their principal place of business in the Baltimore-Columbia-Towson MSA.

An applicant must submit an application for a program award as required by TEDCO. The program must review the application and all supporting materials to evaluate whether the applicant qualifies. The program must award \$50,000 to each qualifying applicant; however, the applicant must, unless the requirement is waived by TEDCO upon request, use at least 20% of the award to hire third-party consultants for planning, development, regulatory compliance, or other technical assistance related to establishing the start-up company.

For each fiscal year, the Governor must include an appropriation for the program in the annual budget bill; no specific amount is specified. The program may use up to 10% of the annual appropriation for administrative expenses, not to exceed \$50,000 in a single fiscal year. TEDCO must adopt regulations necessary to administer the program.

The program is permanent.

Baltimore Innovation Initiative Pilot Program

The BII Pilot Program is established in TEDCO, implemented and administered by the Maryland Innovation Initiative (MII), which is an existing program within TEDCO. The purpose of the pilot program is to provide incentives for and grow technology start-up companies founded by students or faculty at eligible universities. MII must collaborate with each participating eligible university to identify and support entrepreneurial initiatives, industry partnerships, and commercialization opportunities related to technology.

“Eligible university” means a public or private college or university located within the Baltimore-Columbia-Towson MSA, and includes those entities shown in **Exhibit 1** below. Of the 20 listed, 7 are State institutions of higher education (including Baltimore City Community College (BCCC)), 8 are private institutions of higher education, and 5 are local community colleges.

Exhibit 1 **Eligible Universities for the Baltimore Innovation Initiative Pilot Program**

- Anne Arundel Community College
- Baltimore City Community College
- Carroll Community College
- Community College of Baltimore County
- Coppin State University*
- Goucher College**
- Harford Community College
- Howard Community College
- Johns Hopkins University**
- Loyola University Maryland**
- Maryland Institute College of Art**
- McDaniel College**
- Morgan State University*
- Notre Dame of Maryland University**
- St. John’s College**
- Stevenson University**
- Towson University*
- University of Baltimore*
- University of Maryland, Baltimore Campus*
- University of Maryland, Baltimore County*

* Public four-year institution of higher education.

** Private four-year institution of higher education.

Note: Any public or private college or university located within the Baltimore-Columbia-Towson Metropolitan Statistical Area is eligible under the bill; however, those listed above are specifically included.

Source: Department of Legislative Services

To qualify for participation in the pilot program, each eligible university must pay an annual contribution of up to \$50,000. Only an eligible university may submit project proposals for funding under the pilot program. To qualify for participation in the pilot program, a project proposal must:

- support the creation of a new technology-based business in the State;
- advance the technology toward commercialization of a product or service, with preference for products or services that align with the goals of integrating artificial intelligence (AI) or machine learning in health care and biotechnology sectors in the State;
- foster equitable and inclusive entrepreneurial development at the eligible university;
- create an opportunity for meaningful economic impact in the region around the eligible university; or
- foster collaboration between the eligible university and an industry partner, including (1) product development with commercialization potential and (2) matching funds provided by the industry partner.

MII must develop criteria to review, evaluate, and rate project proposals for funding under the pilot program. The executive director of MII must distribute grants based on the criteria; however, MII must give priority to project proposals that align with the mission of the Baltimore Tech Hub or AI- and life science-oriented businesses.

For fiscal 2025 and 2026, the Governor must include in the annual budget bill an appropriation of \$1.5 million for the pilot program. The mandated funding must be used to supplement, not supplant, any funds that would otherwise be provided to MII.

TEDCO must include information on the implementation of the pilot program in its annual report on or before July 1, 2027.

The pilot program terminates June 30, 2027.

Current Law:

Maryland Technology Development Corporation

TEDCO is an independent entity established by the Maryland General Assembly in 1998 to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. TEDCO programs typically assist companies based on a company's stage of development, from early stage and technology transfer to growth stage. For further information on

TEDCO, including a general overview and recent program additions, see the **Appendix – Maryland Technology Development Corporation**.

Maryland Innovation Initiative

Chapter 450 of 2012 established MII in TEDCO to promote technology transfer from Maryland's public and private nonprofit research institutions to the private sector. The initiative is authorized to provide grant funding or equity investment financing to a qualifying university, qualifying university-based entrepreneur, or other start-up entity to promote the commercialization of technology developed in whole or in part by a qualifying university.

Only qualifying universities may submit proposals for grant funding from the initiative. Eligible universities must contribute specified amounts each year (\$100,000 or \$200,000, depending on the university) to qualify for the program. The eligible universities are the Johns Hopkins University (JHU); the University of Maryland, Baltimore Campus; the University of Maryland, College Park Campus; Morgan State University; and the University of Maryland Baltimore County.

Chapter 450 also established a special fund, the MII Fund, or MIIF, for the administration of the program, including receipt and distribution of contributions from eligible universities.

Maryland Innovation Initiative University Partnership Pilot Program

Chapter 697 of 2021 established the MII University Partnership Pilot Program to expand opportunities at Bowie State University and Frostburg State University for technology validation, entrepreneurial development, and industry engagement. The pilot program is implemented and administered by MII. Unlike the general MII program, the pilot program only provides grant funding.

Each university must pay an annual contribution of \$50,000 to qualify for participation in the program, and only these universities are eligible to submit project proposals for funding under the pilot program. The Governor was required to include an appropriation of \$500,000 in fiscal 2023 and 2024 for the pilot program, which terminates June 30, 2024.

Chapter 697 also modified MIIF to allow the fund to be used for the administration of the pilot program, including receipt and distribution of annual contributions from the universities.

Business Telework Assistance Grant Program

Chapter 696 of 2021 established the Office of Telework Assistance (OTA) and the BTAG Program in the Department of Commerce and required the Governor to include \$1.0 million annually in the State budget for the program (the mandate became effective beginning in fiscal 2023).

The purpose of the program is to assist and support businesses in implementing telework policies for their employees. A grant awarded through the program may be used to purchase hardware, software, and other technical equipment or technical services necessary for a business to implement a telework policy. To qualify for a grant, a business must develop a policy that conforms to the best practices established by OTA. In awarding a grant, Commerce must prioritize small businesses and consider the number of employees in the business and the assistance needed for the business to implement a telework policy. In practice, the program provides grants of up to \$25,000.

Background:

Pava LaPere

Pava LaPere co-founded EcoMap Technologies in 2018 while attending JHU as an undergraduate. EcoMap is a Baltimore-based technology company that creates platforms to connect users and resources in particular ecosystems – for example, a city’s [tech ecosystem](#). She was killed on September 22, 2023, at the age of 26.

Baltimore Tech Hub

In October 2023, the U.S. Department of Commerce’s Economic Development Administration designated the Baltimore Tech Hub as one of the 31 inaugural Tech Hubs in regions across the country that show potential for rapid growth in key technology sectors. According to the federal [press release](#), the Baltimore Tech Hub is a consortium led by the Greater Baltimore Committee and will develop innovative and predictive health care technologies by applying AI to biotechnologies. Leveraging regional research universities and institutions, research and development expertise, and existing capital investment, the Baltimore Tech Hub aims to catalyze commercialization of predictive health care technology, improving equitable care delivery and national health outcomes.

The geographic location of the Baltimore Tech Hub is the [Baltimore-Columbia-Towson MSA](#): Baltimore City and Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne’s counties.

State Fiscal Effect: Individual effects of the bill repealing the BTAG Program funding mandate, establishing the PLI Acceleration Grant Program, and establishing the BII Pilot Program are discussed below.

Under the following assumptions, net general fund expenditures increase by \$1.0 million annually from fiscal 2025 through 2027 and decrease by \$0.5 million annually beginning in fiscal 2028.

Repeal of the Business Telework Assistance Grant Program Funding Mandate

The bill repeals the requirement that the Governor include \$1.0 million annually in the State budget for the BTAG Program. In fiscal 2023, Commerce provided its entire \$1.0 million general fund appropriation as 49 grants to small businesses. Commerce anticipates once again issuing its entire \$1.0 million appropriation in fiscal 2024.

The fiscal 2025 budget includes a \$1.0 million general fund reduction for the BTAG Program, contingent on legislation eliminating the funding mandate. Therefore, this estimate assumes that no funding is provided to the program beginning in fiscal 2025, although it is possible for discretionary funding to be provided in response to continued business interest in future years.

Accordingly, general fund expenditures for Commerce decrease by \$1.0 million annually beginning in fiscal 2025; the effect on general fund expenditures may be lessened to some extent in future years if discretionary funding is provided.

Pava LaPere Innovation Acceleration Grant Program

For each fiscal year, the Governor must include an appropriation for the PLI Program in the annual budget bill; no specific amount is specified. The fiscal 2025 budget includes \$0.5 million for the PLI Program, contingent on legislation enacting the program. This estimate assumes the fiscal 2025 level of funding is provided annually thereafter.

TEDCO may use up to 10% of the annual appropriation for administrative expenses, not to exceed \$50,000 in a single fiscal year. Based on the assumed funding level of the program, TEDCO advises that its administrative expenses are approximately \$50,000 annually, consistent with the statutory limit.

Accordingly, general fund expenditures for TEDCO increase by \$500,000 annually beginning in fiscal 2025 for TEDCO to provide grants to eligible technology start-up companies and pay for administrative expenses.

Baltimore Innovation Initiative Pilot Program

For fiscal 2025 and 2026, the Governor must include in the annual budget bill an appropriation of \$1.5 million for the BII Pilot Program. The fiscal 2025 budget includes \$1.5 million for the BII Pilot Program, contingent on legislation enacting the program. This estimate assumes \$1.5 million in discretionary funding is also provided in fiscal 2027 (the final year of the program) and that TEDCO can use a portion of the annual funding for its administrative expenses. TEDCO estimates \$300,000 annually in administrative expenses for one full-time staff and marketing, overhead, accounting, and other similar costs. TEDCO employees are not State employees.

To qualify for participation in the pilot program, each eligible university must pay an annual contribution of up to \$50,000. The bill does not provide further guidance on the amount required for different types of institutions. For purposes of this estimate, it is assumed that (1) all 20 eligible institutions listed in the bill choose to participate in fiscal 2025 through 2027; (2) each four-year institution pays \$50,000 annually; and (3) each two-year institution pays \$25,000 annually. Participating institutions may experience additional, likely limited, operational and/or administrative costs to participate. As noted above, State institutions of higher education represent 7 of the 20 eligible institutions (including BCCC).

It is unclear whether the general funds provided by the State and/or the funds provided by eligible institutions can be appropriated to MIF, since the bill does not modify the relevant statute for the fund. In either case, TEDCO intends to hold the funds separately and use them exclusively for the BII Pilot Program. This estimate assumes that the annual general fund appropriation and participating institutions' contributions do not technically accrue to MIF.

Accordingly, general fund expenditures for TEDCO increase by \$1.5 million from fiscal 2025 through 2027. Nonbudgeted revenues for TEDCO increase by \$0.85 million annually from fiscal 2025 through 2027 (14 four-year institutions at \$50,000 each and 6 community colleges at \$25,000 each). Total TEDCO expenditures increase by \$2.35 million annually from fiscal 2025 through 2027 as general funds (\$1.5 million) and nonbudgeted contributions (\$0.85 million) are used to provide grants to eligible projects and pay for administrative expenses.

As part of the funding described above, higher education expenditures increase by \$325,000 annually from fiscal 2025 through 2027 (six four-year State institutions at \$50,000 each, plus BCCC at \$25,000).

Local Expenditures: At a minimum, five local community colleges are eligible for the BII Pilot Program (BCCC is a State entity). Local expenditures may increase from

fiscal 2025 through 2027 to provide the annual required contribution (up to \$50,000 per community college, per fiscal year of participation – although the estimate above assumes \$25,000) and may further increase due to additional, likely limited, operational and/or administrative costs.

Small Business Effect: The bill repeals \$1.0 million in annual mandated funding that has been provided to assist and support small businesses in implementing telework policies for their employees, with now discretionary funding (reduced or none) beginning in fiscal 2025. The program was fully subscribed in fiscal 2023 and is anticipated to be fully subscribed in fiscal 2024. Thus, the Administration’s description of the program as “significantly underutilized” appears to reference the number of awards (49 in fiscal 2023) and not the program’s full use of available funding.

Under the assumptions described above for the two new programs established by the bill, small businesses are eligible for \$2.5 million in total funding annually in fiscal 2025 through 2027, and \$0.45 million annually thereafter (net of TEDCO administrative costs). Actual funding available under the bill may differ from that amount, as most of the described funding is not mandated and depends to some extent on program participation and required contribution amounts.

However, over the next five fiscal years, the bill likely results in a net increase in funding for small businesses in the State, and funds are certainly reallocated between businesses. Both the additional funding and the reallocation have a meaningful effect on small businesses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 473 (The President, *et al.*) (By Request - Administration) - Finance.

Information Source(s): Maryland Technology Development Corporation; Department of Commerce; Department of Budget and Management; University System of Maryland; Morgan State University; Maryland Independent College and University Association; U.S. Department of Commerce; EcoMap Technologies; DataUSA; Department of Legislative Services

Fiscal Note History:
rh/ljm

First Reader - February 7, 2024

Third Reader - March 21, 2024

Revised - Amendment(s) - March 21, 2024

Revised - Clarification - March 21, 2024

Revised - Budget Information - April 29, 2024

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Appendix – Maryland Technology Development Corporation

The Maryland Technology Development Corporation (TEDCO) is an independent entity established by the Maryland General Assembly in 1998 to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. TEDCO investments must meet statutory eligibility criteria that generally require a business to have and subsequently maintain a presence in the State. TEDCO programs typically assist companies based on a company's stage of development, from early stage and technology transfer to growth stage.

TEDCO's purview and funding has expanded in recent years as legacy programs were transferred from the Department of Commerce and new programs were established directly within TEDCO. The fiscal 2024 budget includes \$54.7 million in general funds for TEDCO programs. The following programs have been established by legislation since 2021, with mandated appropriations also noted.

- **Pre-Seed Builder Fund** – supports the development of start-up companies run by entrepreneurs from socially or economically disadvantaged backgrounds that hinder access to traditional forms of capital and executive networks at the pre-seed stage. The Governor must include appropriations in the budget bill in the following amounts: \$5.0 million in fiscal 2023; \$6.2 million in fiscal 2024; and \$7.5 million annually beginning in fiscal 2025.
- **Inclusion Fund** – provides capital investment in technology-based businesses that (1) would qualify for investment under the Builder Fund, as provided in TEDCO regulations; (2) are at least 30% owned by individuals who demonstrate economic disadvantage; and (3) are controlled and managed for at least one year after the time of investment by an individual or individuals who demonstrate economic disadvantage.
- **Maryland Makerspace Initiative Program** – encourages the establishment and expansion of makerspaces throughout the State. The Governor must include an appropriation in the annual budget bill of at least \$1.0 million in fiscal 2024 through 2028 for the fund. The program terminates September 30, 2028.
- **Maryland Equity Investment Fund** – allows unappropriated general fund surplus to be invested in a “qualified business” – with a goal to increase private equity and

venture capital in the State – and the interest earnings and investment returns realized to the benefit of participants of the several pension systems managed by the State Retirement and Pension System. For fiscal 2024, the Governor was required to include an appropriation in the budget bill to the fund equal to 10% of the unappropriated general fund surplus in excess of \$10.0 million from the second prior fiscal year, up to a maximum of \$10.0 million, with a corresponding decrease in the typical required appropriation. The maximum amount was appropriated.

- **Small Business Innovation Research and Technology Transfer Incentive (SBIR/STTR) Program** – allows eligible small businesses to apply for State awards or investments of 25% of SBIR/STTR federal grants, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. TEDCO may make up to 20 Phase I distributions and 10 Phase II distributions per fiscal year for a total of \$1.25 million.
- **Equitech Growth Fund and Commission** – supports economic competitiveness and inclusive growth of emerging and advanced industries in the State through the creation of supporting infrastructure assets, resources, and a diverse workforce that builds the strengths of the State’s economy. TEDCO must award grants, investments, loans, or other financial assistance to public, nonprofit, or private entities in the State. Awards must target workforce development and infrastructure. From fiscal 2025 through 2033, the Governor must include in the annual budget bill an appropriation of \$5.0 million for awards from the fund.
- **Cyber Maryland Program and Fund** – creates a talent pipeline in cybersecurity, serves as a hub for State workforce development programs in cybersecurity, and generally coordinates cybersecurity and research and innovation in the State, among other things. Beginning in fiscal 2025, the Governor may include an appropriation in the annual budget bill of \$250,000 for the fund; however, the Governor must include an appropriation that is sufficient to hire staff for the program.
- **Human-relevant Research Program and Fund** – promotes State-funded research intended to develop human-relevant alternatives to using nonhuman animals in testing and research through grants and loans. TEDCO must establish a grant and loan program, as specified, which includes contracting with an independent scientific review board to review research proposals and make recommendations to TEDCO. The program is funded by fees on entities conducting research on nonhuman animals.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Entrepreneurial Innovation Programs - Establishment (Pava LaPere Legacy of Innovation Act of 2024)

BILL NUMBER: HB 582

PREPARED BY: Brad Fallon

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 routes \$2,000,000 into two programs over a period of three years to create funding opportunities and technical assistance resources to technology-based start up businesses in the Baltimore Metropolitan Statistical Area. These funds will be applied directly to fund or support the success and growth of these small businesses.

The repeal of the \$1,000,000 annual mandated appropriation to the Business Telework Assistance Grant Program is not anticipated to have a meaningful impact on small businesses as the program is significantly underutilized. The use of these dollars for direct start up assistance for companies is expected to have a greater overall impact.