

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 634
Finance

(Senator Klausmeier)

Ways and Means

Maryland Technology Development Corporation - Authority

This bill explicitly authorizes the Maryland Technology Development Corporation (TEDCO), subject to a written agreement, to provide administrative support and services to specified business entities and receive compensation for doing so.

Fiscal Summary

State Effect: The bill does not directly increase expenditures by or revenues for TEDCO; the bill is generally clarifying in nature.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: 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. In addition to other powers specified in statute, TEDCO may:

- create, own, control, or be a member of a corporation, limited liability company, partnership, or other entity, whether operated for profit or not-for-profit;
- fix and collect rates, rentals, fees, royalties, and charges for services and resources it provides or makes available;
- exercise power usually possessed by a private corporation in performing similar functions unless to do so would conflict with State law; and
- do all things necessary or convenient to carry out the powers granted by statute.

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**.

State Fiscal Effect: TEDCO is currently authorized to fix and collect charges for services and resources it makes available. The corporation is also authorized to create, own, control, or be a member of a corporation, limited liability company, partnership, or other entity, whether operated for profit or not-for-profit. The bill explicitly authorizes TEDCO to provide administrative and related support and services to those entities and to be reimbursed for the associated costs (*e.g.*, marketing, reporting, etc.). TEDCO advises that the bill would not enable TEDCO employees to be dually employed or contradict existing law. The bill does not directly increase expenditures by or revenues for TEDCO and is generally clarifying in nature.

Additional Information

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

Designated Cross File: HB 776 (Delegate Feldmark) - Ways and Means.

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

Fiscal Note History: First Reader - February 14, 2024
km/ljm Third Reader - March 8, 2024

Analysis by: Stephen M. Ross

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

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.