

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 493 (Senators Forehand and Ruben)

Budget and Taxation

---

**Economic Development - Biotechnology Production Incentive Fund**

---

This bill establishes the Biotechnology Production Incentive Fund as a nonlapsing, revolving fund managed by the Department of Business and Economic Development (DBED) to encourage the development and manufacture of biotechnology products in facilities in the State. The fund may consist of State appropriations, income from investments, and any other moneys made available to the fund.

The bill authorizes DBED to make a grant to an eligible business if the department determines that the grant will facilitate the growth of the development and production of biotechnology products in the State. An eligible business is defined as a for-profit business that is: (1) located in the State; (2) engaged in the development or production of biotechnology products; and (3) in good standing with each State regulatory authority with jurisdiction over the business. An eligible business cannot receive a grant in excess of \$250,000 a year. The bill requires DBED to adopt regulations that include procedures for applying for a grant from the fund and eligibility criteria.

---

**Fiscal Summary**

**State Effect:** Indeterminate effect on State expenditures. The Governor's proposed FY 1999 budget does not include an allowance for the fund. To the extent that this legislation spurs employment and economic development, tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Effect:** To the extent that this legislation spurs employment and economic development, tax revenues could increase. Expenditures would not be affected.

**Small Business Effect:** Potential meaningful effect on small businesses.

---

## Fiscal Analysis

**State Effect:** The fiscal 1999 Governor's allowance does not include funding for the Biotechnology Production Incentive Fund established by this bill. While the bill includes no requirements as to the level of appropriations to the fund, as a point of reference only, it is noted that:

- the fiscal 1999 allowance for the Day Care Facilities Direct Loan Fund, which provides low interest loans for up to 50% of a project's costs, is \$1 million;
- the allowance for the Maryland Seafood and Aquaculture Loan Fund, which makes loans of up to 50% of the amount needed for renovation and expansion of facilities or to upgrade equipment, is \$500,000;
- the allowance for the Maryland Enterprise Fund, which provides capital for start-up companies who are developing innovative technologies by purchasing equity in the company at a typical level of \$250,000, is \$2.5 million; and
- the allowance to the Challenge Investment Fund, which provides limited financial support to technology-driven companies that are commercializing new products and services, is \$750,000.

Any effect on State expenditures would depend on the amount of any appropriation to the fund. In addition, as a result, it cannot be determined at this time whether the administration of the fund could be handled by DBED with existing personnel. To the extent these grants increase the recipients' taxable income, State revenues would increase.

The bill requires a business to be in good standing with the Department of Assessments and Taxation (DAT), among other agencies, in order to qualify for a grant. The general fund would receive \$6 or \$15 (which reflects the \$6 base fee plus \$9 for expedited service) for each status certificate requested of DAT. This is expected to have a negligible effect both on State revenues and on the department since a large volume of certificates are issued each year (40,000 in fiscal 1997). It is assumed that any effect on the other agencies with which businesses would be required to be in good standing in order to be eligible for the grants would also be negligible.

To the extent that the bill spurs employment and economic development, tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Revenues:** To the extent the bill spurs employment and economic development, local tax revenues could increase.

**Small Business Effect:** Small biotechnology businesses that receive grants of up to \$250,000 annually would benefit directly. In addition, to the extent the bill spurs employment and economic development, other small businesses could benefit.

---

**Information Source(s):** Department of Business and Economic Development, Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Assessments and Taxation, Workers' Compensation Commission, State Treasurer's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 1998

lc

---

Analysis by: Sarah Dickerson

Reviewed by: John Rixev

Direct Inquiries to:

John Rixev, Coordinating Analyst

(410) 841-3710

(301) 858-3710