

**Department of Legislative Services**

Maryland General Assembly

2008 Session

**FISCAL AND POLICY NOTE****Revised**

Senate Bill 735

(Senator Miller, *et al.*)

Finance

Economic Matters

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**Coordinating Emerging Nanobiotechnology Research (CENTR) in Maryland Program**

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This bill establishes the Coordinating Emerging Nanobiotechnology Research in Maryland Program (CENTR) and Fund. The program and fund are to be administered by the Technology Development Corporation (TEDCO) for the purpose of providing grants for nanobiotechnology research projects.

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**Fiscal Summary**

**State Effect:** Special fund expenditures would increase by \$3.0 million in FY 2009, and general or special fund expenditures could increase, potentially by \$3 million annually thereafter, to provide for grants under the program. The FY 2009 State budget includes \$3 million for nanobiotechnology research. The program could be administered by TEDCO with existing resources. Revenues would be unaffected.

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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**Analysis**

**Bill Summary:** The purpose of the CENTR and Fund is to support advanced nanobiotechnology research at higher education institutions and promote Maryland as a key location for private-sector firms in the industry. In furtherance of this goal, the executive director of TEDCO must administer the CENTR Fund to provide capital and operating grants for higher educational institutions and private-sector entities. The fund

consists of appropriations provided in the State budget and other money from any source for the benefit of CENTR. The bill states the intent that current funding provided in the State budget to support other nanobiotechnology programs in the State not be supplanted or altered.

Subject to available funding in the CENTR Fund, TEDCO is required to award both capital and operating grants to private entities and higher education institutions in Maryland to • leverage federal funding for the establishment of new research centers; • provide pilot funding within higher education institutions in order to provide the data necessary for the development of larger grant funding proposals; • foster public-private partnerships; and • assist in nanobiotechnology transfer for commercial applications.

TEDCO may also award operating grants to higher education institutions for • discovery educational grants that require collaboration and matching funds from private entities; • grants that focus on specific applications of nanobiotechnology and require collaboration and matching funds from private entities; and • the development of functional and cost-effective prototypes supported by a two-for-one match in funds by private entities.

TEDCO is required to promulgate regulations establishing a competitive application process and criteria for awarding grant funding. The regulations must also prioritize funding for projects that attract significant nanobiotechnology investment to the State, leverage additional federal or private-sector funding, or aid in establishing the State as a key location in the industry.

**Current Law/Background:** DBED administers five business assistance programs, the largest of which is the Maryland Economic Development Assistance Authority and Fund (MEDAAF). MEDAAF provides below-market, fixed-rate financing in the form of loans, grants, conditional loans, conditional grants, and direct investment to local jurisdictions and businesses, particularly in growth industries and priority funding areas. Funds may be used for property acquisition, construction, or renovation of buildings, including tenant improvements and capital equipment. MEDAAF is projected to end fiscal 2008 with a fund balance of \$40.8 million. The fiscal 2009 allowance includes additional special fund revenues of \$10.1 million and special fund expenditures of \$40.1 million, leaving \$10.0 million at the close of fiscal 2009.

The fiscal 2009 State budget includes an appropriation of \$3 million for nanobiotechnology research and industry, which can be used by the CENTR Fund. One of DBED's budget priorities is the nanobiotechnology research initiative, a partnership between DBED and the University System of Maryland. This initiative began in

fiscal 2007 with \$2.5 million. The fiscal 2008 and 2009 budgets include \$2.4 million for the initiative.

TEDCO, an independent entity, was established by the Maryland General Assembly in 1998 to facilitate the creation of technology companies and encourage collaboration between these emerging businesses and federal and state research laboratories. In 2001, the General Assembly created the Maryland Technology Incubator Program within TEDCO to be a leading source of funding for seed capital and entrepreneurial business assistance. For the third consecutive year, TEDCO was recognized as the most active early/seed stage investor in the nation by a national business magazine. Maryland currently supports a bioscience industry of 370 firms with \$450 million in State investment in addition to the \$12.2 billion in federal funds. DBED has identified 36 nanotechnology companies in Maryland. In the past several years, the State has committed over \$1 million from the Sunny Day Fund to nanotechnology projects.

The Governor's fiscal 2009 budget includes approximately \$1.2 billion for the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and independent institutions.

**State Fiscal Effect:** General fund expenditures could increase, or MEDAAF special funds could be diverted, in order to provide funding for the CENTR Fund. In the fiscal 2009 budget \$3 million of MEDAAF funds have been restricted for nanobiotechnology research and industry. The bill states that it is the intent of the General Assembly that the CENTR Fund is not to supplant funding for any other nanobiotechnology programs in the State.

TEDCO advises that the CENTR Program and Fund are similar to other existing programs it administers and thus would be easily absorbed within existing TEDCO resources and processes. One or more DBED employees would probably be required to sit on a TEDCO review board to evaluate potential grant disbursements. This would be a small commitment of time for current DBED employees, and could be handled with existing resources.

**Small Business Effect:** By attracting new businesses and investment to the nanobiotechnology industry in Maryland, the CENTR could have a meaningful effect on small business in the State. According to the Governor's Workforce Investment Board Bioscience Industry Initiative, more than 75% of biosciences companies in Maryland have fewer than 50 employees. According to DBED, more than 90% of nanotechnology companies in Maryland have fewer than 50 employees.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1409 (Delegate Mizeur, *et al.*) – Economic Matters.

**Information Source(s):** Department of Business and Economic Development,  
Technology Development Corporation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2008  
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