

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1159 (Delegate Feldman, *et al.*)

Health and Government Operations and
Economic Matters

Economic Development - Maryland Stem Cell Research Act - Revisions

This bill changes the scope and name of the Maryland Stem Cell Research Fund to be the Maryland Stem Cell and Biotechnologies Research Fund, the primary purpose of which is to support innovative biotechnology research and development in the State that has the potential to create sustainable job growth in the State, including manufacturing jobs. The bill specifies that at least one-third of the grants or loans awarded each year must be awarded to for-profit companies headquartered in the State and priority must be given to nonprofit applicants that have codevelopment partnerships with State for-profit companies.

Fiscal Summary

State Effect: Higher education revenues and expenditures for the University of Maryland, Baltimore (UMB) decrease beginning in FY 2010 due to at least one-third of the grants or loans available under the Stem Cell Research Act being awarded to for-profit companies headquartered in the State. The Johns Hopkins University (JHU) (a private institution) will also see reduced funding under the bill since almost all of the Stem Cell Research Fund awards typically go to UMB and JHU. Future year revenues and expenditures will also decrease.

Local Effect: None.

Small Business Effect: Meaningful for small businesses that qualify for grant funding under the bill.

Analysis

Bill Summary: Qualified technology means any innovative and proprietary technology that comprises, interacts with, or analyzes biological material including biomolecules, cells, tissues, or organs, and includes technology used for stem cell research.

The bill specifies that money in the Maryland Stem Cell and Biotechnologies Research Fund may be used to award grants and loans for research supporting a qualified technology according to commission recommendations.

The bill also changes the name of the Stem Cell Research Commission to be the Stem Cell and Biotechnologies Research Commission, adds two commission members, and authorizes it to contract with a committee of qualified technology experts to reflect its additional responsibilities regarding qualified technology-supported research.

The committee that the commission contracts with must review, evaluate, rank, and rate research proposals in a way that considers the proprietary nature and long-term commercial potential of each proposal. The bill repeals the requirement that committee members may not be State residents and requires that at least one committee member be from the industrial sector who is familiar with biotechnology product development and commercialization.

Finally, the bill requires that the annual report required by the Maryland Technology Development Corporation (TEDCO) and commission include a description of the research supporting qualified technology performed by the fund recipient.

Current Law: Chapter 19 of 2006 created a Maryland Stem Cell Research Fund to promote State-funded stem cell research and cures through grants and loans to public and private entities in Maryland. Annually, beginning in fiscal 2008, the Governor may include in the budget bill an appropriation to the Stem Cell Research Fund. Chapter 19 also established an independent Stem Cell Research Commission under TEDCO. The Stem Cell Research Commission must contract with an independent scientific peer review committee of scientifically recognized stem cell research experts, which evaluates stem cell research proposals for the commission. Committee members may not reside in the State.

TEDCO and the commission must submit an annual report to the Governor and the General Assembly on the progress of State-funded stem cell research. The report must identify each fund recipient, the amount of money received, and a description of the type of stem cell research performed by the recipient.

Background: In fiscal 2008, the Stem Cell Research Fund supported 58 grants that were approved from 122 applications. However, at the end of fiscal 2008, \$1.5 million in funding was still unobligated and was, therefore, carried forward to fiscal 2009. The fund then received \$18 million in State general funds in fiscal 2009 and the fiscal 2010 budget includes \$15.4 million for the fund. TEDCO advises that the 2008 fund balance of \$1.5 million as well as the fiscal 2009 appropriation of \$18 million will be obligated by the end of the fiscal year. To date, it has received 147 applications.

The commission is authorized to award three types of grants: investigator research grants, exploratory grants, and post-doctoral research grants. Almost all of the grants have been awarded to JHU and UMB to date.

State Fiscal Effect: Since UMB and JHU typically receive almost all of the awards, Legislative Services assumes that at least one-third of grants, at least \$5.1 million, based on the fiscal 2010 appropriation, will be redirected to for-profit companies, reducing revenues and expenditures for both universities by at least \$5.1 million in fiscal 2010. However, if any fiscal 2009 funding remains unobligated and is carried forward to fiscal 2010, the amount of grant funding redirected to for-profit companies could be higher. Legislative Services cannot determine how many grants may be redirected from each individual institution each year. Future year revenue and expenditure decreases will continue and are dependent on the amount of money allocated to the fund each year.

Additional Information

Prior Introductions: None.

Cross File: SB 948 (Senator Forehand, *et al.*) - Finance.

Information Source(s): Department of Business and Economic Development, Department of Health and Mental Hygiene, Judiciary (Administrative Office of the Courts), University System of Maryland, University of Maryland Medical System, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2009
mcp/rhh Revised - Updated Budget Information - May 21, 2009

Analysis by: Sarah K. Volker

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