

# SENATE BILL 574

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9lr1906  
CF HB 1161

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By: **Senator Feldman**

Introduced and read first time: February 4, 2019

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 14, 2019

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Maryland Small Business Innovation Research and Technology Transfer**  
3 **Incentive Program**

4 FOR the purpose of establishing the Maryland Small Business Innovation Research and  
5 Technology Transfer Incentive Program in the Department of Commerce;  
6 establishing the purposes of the Program; establishing qualifications for  
7 participation in the Program; authorizing the Program to provide certain grants to  
8 certain businesses on a first-come, first-served basis, subject to certain limitations;  
9 providing for the coordination of certain activities of the Program with comparable  
10 county programs; providing that a certain grant recipient may be required to return  
11 certain funds under certain circumstances; establishing the Maryland Small  
12 Business Innovation Research and Technology Transfer Incentive Matching Fund as  
13 a special, nonlapsing fund; specifying the purpose of the Fund; requiring the  
14 Secretary of Commerce to administer the Fund; requiring the State Treasurer to hold  
15 the Fund, and the Comptroller to account for the Fund; specifying the contents of the  
16 Fund; specifying the purpose for which the Fund may be used; providing for the  
17 investment of money in and expenditures from the Fund; requiring interest earnings  
18 of the Fund to be credited to the Fund; requiring the Secretary to review and evaluate  
19 the Program on a periodic basis; authorizing the Secretary to submit certain  
20 recommendations to the Governor and the General Assembly; authorizing the  
21 Secretary to adopt certain regulations; exempting the Fund from a certain provision  
22 of law requiring interest earnings on State money to accrue to the General Fund of  
23 the State; defining certain terms; and generally relating to the Maryland Small  
24 Business Innovation Research and Technology Transfer Incentive Program.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing and reenacting, with amendments,  
2 Article – Economic Development  
3 Section 5–102  
4 Annotated Code of Maryland  
5 (2018 Replacement Volume)

6 BY adding to  
7 Article – Economic Development  
8 Section 5–1701 through 5–1707 and the subtitle “Subtitle 17. Maryland Small  
9 Business Innovation Research and Technology Transfer Incentive Program”  
10 Annotated Code of Maryland  
11 (2018 Replacement Volume)

12 BY repealing and reenacting, without amendments,  
13 Article – State Finance and Procurement  
14 Section 6–226(a)(2)(i)  
15 Annotated Code of Maryland  
16 (2015 Replacement Volume and 2018 Supplement)

17 BY repealing and reenacting, with amendments,  
18 Article – State Finance and Procurement  
19 Section 6–226(a)(2)(ii)112. and 113.  
20 Annotated Code of Maryland  
21 (2015 Replacement Volume and 2018 Supplement)

22 BY adding to  
23 Article – State Finance and Procurement  
24 Section 6–226(a)(2)(ii)114.  
25 Annotated Code of Maryland  
26 (2015 Replacement Volume and 2018 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
28 That the Laws of Maryland read as follows:

29 **Article – Economic Development**

30 5–102.

31 The Department shall administer the State’s economic development and financial  
32 assistance programs and funds including:

33 (1) the BRAC Revitalization and Incentive Zone Program, under Subtitle  
34 13 of this title;

35 (2) the Enterprise Fund, under Subtitle 6 of this title;

36 (3) the Enterprise Zones Program, under Subtitle 7 of this title;

1 (4) the Make Office Vacancies Extinct Program, under Subtitle 15 of this  
2 title;

3 (5) the Maryland Economic Adjustment Fund, under Subtitle 2 of this title;

4 (6) the Maryland Economic Development Assistance Authority and Fund,  
5 under Subtitle 3 of this title;

6 (7) the Maryland Industrial Development Financing Authority, under  
7 Subtitle 4 of this title;

8 (8) the Maryland Small Business Development Financing Authority, under  
9 Subtitle 5 of this title;

10 **(9) THE MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND**  
11 **TECHNOLOGY TRANSFER INCENTIVE PROGRAM, UNDER SUBTITLE 17 OF THIS**  
12 **TITLE;**

13 **[(9)] (10)** the Appalachian Regional Development Program, under Title 13,  
14 Subtitle 1 of this article;

15 **[(10)] (11)** jointly with the Department of Housing and Community  
16 Development, the Community Development Block Grant for Economic Development;

17 **[(11)] (12)** the Regional Institution Strategic Enterprise Zone Program  
18 under Subtitle 14 of this title; and

19 **[(12)] (13)** any other programs or funds designated by statute, the  
20 Governor, or the Secretary.

21 **SUBTITLE 17. MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND**  
22 **TECHNOLOGY TRANSFER INCENTIVE PROGRAM.**

23 **5-1701.**

24 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**  
25 **INDICATED.**

26 **(B) “FUND” MEANS THE MARYLAND SMALL BUSINESS INNOVATION**  
27 **RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.**

28 **(C) “PROGRAM” MEANS THE MARYLAND SMALL BUSINESS INNOVATION**  
29 **RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE PROGRAM.**

1 (D) "SMALL BUSINESS INNOVATION RESEARCH GRANT" MEANS A GRANT  
2 AWARDED UNDER THE SMALL BUSINESS INNOVATION RESEARCH GRANT PROGRAM  
3 BY THE NATIONAL INSTITUTES OF HEALTH, OR A SIMILAR PROGRAM  
4 ADMINISTERED BY ANOTHER AGENCY OF THE FEDERAL GOVERNMENT, FOR A  
5 BUSINESS TO ENGAGE IN RESEARCH AND DEVELOPMENT THAT HAS A STRONG  
6 POTENTIAL FOR COMMERCIALIZATION.

7 (E) "SMALL BUSINESS TECHNOLOGY TRANSFER GRANT" MEANS A GRANT  
8 AWARDED UNDER THE SMALL BUSINESS TECHNOLOGY TRANSFER GRANT  
9 PROGRAM BY THE NATIONAL INSTITUTES OF HEALTH, OR A SIMILAR PROGRAM  
10 ADMINISTERED BY ANOTHER AGENCY OF THE FEDERAL GOVERNMENT, FOR A  
11 BUSINESS TO ENGAGE IN RESEARCH AND DEVELOPMENT THAT HAS A STRONG  
12 POTENTIAL FOR COMMERCIALIZATION.

13 5-1702.

14 (A) THERE IS A MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND  
15 TECHNOLOGY TRANSFER INCENTIVE PROGRAM IN THE DEPARTMENT.

16 (B) THE PURPOSE OF THE PROGRAM IS TO FOSTER JOB CREATION AND  
17 ECONOMIC DEVELOPMENT IN THE STATE BY:

18 (1) PROMOTING THE COMMERCIALIZATION OF RESEARCH  
19 CONDUCTED BY SMALL BUSINESSES IN THE STATE;

20 (2) FACILITATING THE TRANSFER OF TECHNOLOGY FROM SMALL  
21 BUSINESSES; AND

22 (3) ENCOURAGING SMALL BUSINESSES TO APPLY FOR SMALL  
23 BUSINESS INNOVATION RESEARCH GRANTS AND SMALL BUSINESS TECHNOLOGY  
24 TRANSFER GRANTS.

25 5-1703.

26 (A) TO QUALIFY FOR PARTICIPATION IN THE PROGRAM, A SMALL BUSINESS  
27 SHALL MEET THE CRITERIA IN THIS SECTION.

28 (B) THE SMALL BUSINESS MUST:

29 (1) MAINTAIN ITS PRINCIPAL PLACE OF BUSINESS IN THE STATE;

30 (2) HAVE RECEIVED A PHASE I OR PHASE II SMALL BUSINESS  
31 INNOVATION RESEARCH GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER

1 GRANT, OR A SIMILAR GRANT UNDER A SIMILAR PROGRAM ADMINISTERED BY AN  
2 AGENCY OF THE FEDERAL GOVERNMENT, IN THE CURRENT FISCAL YEAR; AND

3 (3) CONDUCT AT LEAST 51% OF ITS RESEARCH AND DEVELOPMENT  
4 OPERATIONS AT A PHYSICAL LOCATION IN THE STATE.

5 (C) A GRANT RECIPIENT THAT FAILS TO FULFILL THE ELIGIBILITY AND  
6 MAINTENANCE REQUIREMENTS OF THE PROGRAM, OR OF A COMPARABLE COUNTY  
7 PROGRAM THAT SUPPORTS THE RECIPIENT, MAY BE REQUIRED TO RETURN ALL OR  
8 PART OF THE GRANT TO THE PROGRAM.

9 (D) THE PROGRAM SHALL REQUIRE A SMALL BUSINESS TO RETURN TO THE  
10 DEPARTMENT ANY MONEY FROM A MATCHING GRANT UNDER THIS SUBTITLE IF THE  
11 BUSINESS DOES NOT REMAIN IN THE STATE FOR AT LEAST 2 YEARS AFTER  
12 RECEIVING THE GRANT PAYMENT.

13 5-1704.

14 (A) AN APPLICANT SHALL SUBMIT AN APPLICATION FOR A PROGRAM  
15 GRANT ON THE FORM THAT THE SECRETARY REQUIRES.

16 (B) THE PROGRAM SHALL REVIEW THE APPLICATION AND ALL SUPPORTING  
17 MATERIALS TO EVALUATE WHETHER THE APPLICANT QUALIFIES FOR A GRANT  
18 FROM THE PROGRAM.

19 (C) SUBJECT TO THE AVAILABILITY OF MONEY IN THE FUND, THE  
20 PROGRAM MAY PROVIDE TO AN ELIGIBLE SMALL BUSINESS A MATCHING GRANT FOR  
21 A SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS  
22 TECHNOLOGY TRANSFER GRANT.

23 (D) A SMALL BUSINESS THAT IS AWARDED A MATCHING GRANT FOR A PHASE  
24 I SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS  
25 TECHNOLOGY TRANSFER GRANT, OR A SIMILAR GRANT UNDER A SIMILAR PROGRAM  
26 ADMINISTERED BY AN AGENCY OF THE FEDERAL GOVERNMENT, SHALL RECEIVE A  
27 MATCHING GRANT AMOUNT THAT IS THE LESSER OF:

28 (1) 25% OF THE PHASE I SMALL BUSINESS INNOVATION RESEARCH  
29 GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER GRANT, OR A SIMILAR GRANT  
30 UNDER A SIMILAR PROGRAM ADMINISTERED BY AN AGENCY OF THE FEDERAL  
31 GOVERNMENT; OR

32 (2) \$25,000.

1 (E) A SMALL BUSINESS THAT IS AWARDED A MATCHING GRANT FOR A PHASE  
2 II SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS  
3 TECHNOLOGY TRANSFER GRANT, OR A SIMILAR GRANT UNDER A SIMILAR PROGRAM  
4 ADMINISTERED BY AN AGENCY OF THE FEDERAL GOVERNMENT, SHALL RECEIVE A  
5 MATCHING GRANT AMOUNT THAT IS THE LESSER OF:

6 (1) 25% OF ~~A~~ THE PHASE II SMALL BUSINESS INNOVATION  
7 RESEARCH GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER GRANT, OR A  
8 SIMILAR GRANT UNDER A SIMILAR PROGRAM ADMINISTERED BY AN AGENCY OF THE  
9 FEDERAL GOVERNMENT; OR

10 (2) \$75,000.

11 (F) DURING EACH FISCAL YEAR A SMALL BUSINESS MAY NOT RECEIVE  
12 MORE THAN ONE MATCHING GRANT.

13 (G) A SMALL BUSINESS MAY NOT RECEIVE MORE THAN FIVE MATCHING  
14 GRANTS UNDER THIS SUBTITLE.

15 (H) THE DEPARTMENT SHALL AWARD MATCHING GRANTS ON A  
16 FIRST-COME, FIRST-SERVED BASIS.

17 (I) THE PROGRAM SHALL COORDINATE WITH COMPARABLE COUNTY  
18 PROGRAMS TO EVALUATE APPLICATIONS AND TO PROVIDE ASSISTANCE TO  
19 ELIGIBLE BUSINESSES UNDER THIS SUBTITLE.

20 5-1705.

21 (A) THERE IS A MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND  
22 TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.

23 (B) THE PURPOSE OF THE FUND IS TO PROVIDE MATCHING FUNDS TO  
24 FURTHER STIMULATE INNOVATION AND ENTREPRENEURSHIP AND ATTRACT EARLY  
25 STAGE SMALL BUSINESSES ENGAGED IN RESEARCH AND DEVELOPMENT.

26 (C) THE SECRETARY SHALL ADMINISTER THE FUND.

27 (D) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT  
28 SUBJECT TO REVERSION UNDER § 7-302 OF THE STATE FINANCE AND  
29 PROCUREMENT ARTICLE.

30 (2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,  
31 AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

1           **(E) THE FUND CONSISTS OF:**

2                   **(1) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;**

3                   **(2) MONEY RECAPTURED FROM BUSINESSES THAT FAIL TO FULFILL**  
4 **THE TERMS AND CONDITIONS OF A GRANT MADE FROM THE PROGRAM;**

5                   **(3) INTEREST EARNINGS OF THE FUND; AND**

6                   **(4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR**  
7 **THE BENEFIT OF THE FUND.**

8           **(F) THE FUND MAY BE USED ONLY FOR:**

9                   **(1) MATCHING GRANTS THAT COUNTIES OR THE FEDERAL**  
10 **GOVERNMENT PROVIDE TO ELIGIBLE BUSINESSES UNDER COMPARABLE SMALL**  
11 **BUSINESS INNOVATION RESEARCH OR SMALL BUSINESS TECHNOLOGY TRANSFER**  
12 **GRANT PROGRAMS; AND**

13                   **(2) ADMINISTRATIVE EXPENSES OF THE PROGRAM.**

14           **(G) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND**  
15 **IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

16                   **(2) INTEREST EARNINGS OF THE FUND SHALL BE CREDITED TO THE**  
17 **FUND.**

18           **(H) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN ACCORDANCE**  
19 **WITH THE STATE BUDGET.**

20 **5-1706.**

21           **(A) AT LEAST ONCE EVERY 3 YEARS, THE SECRETARY SHALL REVIEW AND**  
22 **EVALUATE THE PROGRAM, INCLUDING THE NUMBER AND SIZE OF ELIGIBLE**  
23 **BUSINESSES THAT RECEIVE SUPPORT FROM THE PROGRAM.**

24           **(B) BASED ON THE REVIEW AND EVALUATION, THE SECRETARY MAY**  
25 **SUBMIT RECOMMENDATIONS TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE**  
26 **STATE GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY ON THE CONTINUED**  
27 **EFFECTIVENESS OF THE PROGRAM.**

28 **5-1707.**

29           **THE SECRETARY MAY ADOPT REGULATIONS TO IMPLEMENT THIS SUBTITLE.**

**Article – State Finance and Procurement**

6–226.

(a) (2) (i) Notwithstanding any other provision of law, and unless inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement, net interest on all State money allocated by the State Treasurer under this section to special funds or accounts, and otherwise entitled to receive interest earnings, as accounted for by the Comptroller, shall accrue to the General Fund of the State.

(ii) The provisions of subparagraph (i) of this paragraph do not apply to the following funds:

112. the Pretrial Services Program Grant Fund; [and]

113. the Veteran Employment and Transition Success Fund;

**AND**

**114. THE MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2019.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.