

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1161

(Delegate Qi, *et al.*)

Ways and Means

Rules

Department of Commerce – Small Business Innovation Research and Technology Transfer – Study

This bill requires the Department of Commerce (Commerce) to study issues related to federal small business innovation research and technology transfer (SBIR/STTR) grants and make recommendations regarding financing options for recipients of such grants. By December 31, 2019, Commerce must submit its findings and recommendations to the General Assembly. **The bill takes effect July 1, 2019, and terminates June 30, 2020.**

Fiscal Summary

State Effect: Commerce can handle the bill's requirements with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Commerce must:

- explore ways to (1) foster job creation and economic development in the State by capitalizing on the federal presence in the State; (2) encourage small businesses to engage in federal research and development that has the potential for commercialization; (3) facilitate the transfer of technology from small businesses; and (4) encourage small businesses to apply for federal SBIR/STTR grants; and
- study the laws and regulations of other states governing financial assistance programs for SBIR/STTR grant recipients.

Current Law/Background: Commerce's mission is to strengthen the Maryland economy. The department develops and implements programs that aim to generate new jobs or retain existing jobs, attract business investment in new or expanding companies, and promote the State's strategic assets. Business assistance is provided through a combination of investments, loans, conditional loans, grants, and tax credits. The U.S. Small Business Administration Office of Technology administers the SBIR Program and the STTR Program. Through these two competitive programs, small, high-tech, innovative businesses are a significant part of the federal government's research and development efforts. Phase I awards are made to evaluate the feasibility and merit of a scientific or technical idea. Phase II awards are granted to expand on the results of a Phase I concept. About 175 Phase I awards and 85 Phase II awards are made to Maryland businesses each year. Commerce advises that, based on its analysis of recent grant awards to Maryland businesses, a typical (average) Phase I grant is \$179,000, and a typical (average) Phase II grant is \$1.0 million.

In March 2014, the President of the Senate and the Speaker of the House of Delegates established and appointed the Maryland Economic Development and Business Climate Commission to focus on the State's economic development structure and incentive programs and make recommendations to the Presiding Officers. Testimony before the commission indicated that SBIR awardees are often start-up businesses that encounter difficulty in raising necessary capital beyond the federal grant itself and suggested that State support of these businesses would lead to their successful commercialization and sustainability. The commission's interim [report](#) recommended that Maryland create a program in the Maryland Technology Development Corporation to provide matching grants for SBIR awardees.

Montgomery County Program

Montgomery County recently established a SBIR/STTR matching grant program for certain SBIR/STTR grant recipients. The program is funded at \$650,000 in fiscal 2019 and is focused on biotechnology. Information on Montgomery County's program can be found on the county's [website](#).

Additional Information

Prior Introductions: None.

Cross File: SB 574 (Senator Feldman) - Finance.

Information Source(s): Department of Commerce; Montgomery County; U.S. Small Business Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2019
lc/vlg Revised - Updated Information - March 26, 2019
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