

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 732
 Finance

(Senator Patterson)

Appropriations and Ways and Means

**Economic Development – Maryland Innovation Initiative University Partnership
 Pilot Program – Establishment**

This bill establishes the Maryland Innovation Initiative (MII) University Partnership Pilot Program. The pilot program is implemented and administered by MII, which already exists in the Maryland Technology Development Corporation (TEDCO). The purpose of the pilot program is to expand opportunities at Bowie State University (BSU) and Frostburg State University (FSU) for technology validation, entrepreneurial development, and industry engagement. Each university must pay an annual contribution of \$50,000 to qualify for participation in the program, and only these universities are eligible to submit project proposals for funding under the pilot program. The Governor must include an appropriation of \$500,000 in fiscal 2023 and 2024 for the program. **The bill takes effect July 1, 2021, and terminates June 30, 2024.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund expenditures increase by \$500,000 in FY 2023 and 2024; higher education expenditures for BSU and FSU increase by \$50,000 each both years. Special fund revenues and expenditures for the MII Fund (MIIF) increase correspondingly. **This bill establishes a mandated appropriation in FY 2023 and 2024.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$0	\$600,000	\$600,000	\$0	\$0
GF Expenditure	\$0	\$500,000	\$500,000	\$0	\$0
SF Expenditure	\$0	\$600,000	\$600,000	\$0	\$0
Higher Ed Exp.	\$0	\$100,000	\$100,000	\$0	\$0
Net Effect	\$0	(\$600,000)	(\$600,000)	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: To qualify for a grant under the pilot program, a project proposal must:

- support the creation of a new technology-based business in Maryland;
- advance technology toward commercialization of a product or service;
- foster entrepreneurial development at BSU or FSU;
- create an opportunity for meaningful economic impact in the region around BSU or FSU; or
- foster collaboration between BSU or FSU and an industry partner, including (1) product development with commercialization potential and (2) matching funds provided by the industry partner.

MII must develop criteria to review, evaluate, and rate project proposals for funding under the pilot program, and grants must be distributed to projects based on the criteria. MII must collaborate with BSU or FSU to identify and support industry partnerships and commercialization opportunities.

The funding provided under the bill must supplement, not supplant, any funds that would otherwise be provided to MII.

By July 1, 2024, TEDCO must include information on the pilot program in its annual report to the General Assembly.

Current Law: Chapter 450 of 2012 established MII in TEDCO to promote technology transfer from Maryland's public and private nonprofit research institutions to the private sector. The initiative is authorized to provide grant funding or equity investment financing to a qualifying university, qualifying university-based entrepreneur, or other start-up entity to promote the commercialization of technology developed in whole or in part by a qualifying university.

The grant funding or equity investment financing must be awarded (1) to support pre-commercial research on intellectual property; (2) to defray costs of evaluating the feasibility of a technology becoming commercialized through a start-up company; (3) to defray the direct costs of developing early-stage technology through a start-up company; (4) to assess intellectual property issues, including licensing and patents; or (5) for any other costs that the initiative's participating members determine are appropriate, given the initiative's purpose.

Only qualifying universities may submit proposals for grant funding from the initiative. Eligible universities must contribute specified amounts each year (\$100,000 or \$200,000,

depending on the university) to qualify for the program. The eligible universities are the Johns Hopkins University; the University of Maryland, Baltimore Campus; the University of Maryland, College Park Campus; Morgan State University; and the University of Maryland Baltimore County.

State Fiscal Effect: General fund expenditures increase by \$500,000 in fiscal 2023 and 2024 to fund the pilot program, as required by the bill, and higher education expenditures for BSU and FSU each increase by \$50,000 annually in those years to qualify for the program. Accordingly, special fund revenues for MIIF increase by \$600,000 annually in fiscal 2023 and 2024. Special fund expenditures increase correspondingly to provide grants for eligible purposes and to pay administrative expenses. TEDCO estimates administrative expenses of approximately \$180,000 annually for travel, marketing, legal services, information technology, and on-site contractual assistance at the universities, leaving \$420,000 available to be distributed as grants in each year.

Small Business Effect: Small businesses likely benefit from projects funded under the pilot program, although the overall program size and duration is limited.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Technology Development Corporation; University System of Maryland; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2021
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