Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1169　　　　　(Delegate Buckel)

Ways and Means

Economic Development – Maryland Innovation Initiative University Expansion Pilot Program – Establishment

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This bill establishes the Maryland Innovation Initiative (MII) University Expansion 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 – at Frostburg State University (FSU) – expand opportunities for technology validation, entrepreneurial development, and industry engagement. FSU must pay an annual contribution of $50,000 to qualify for participation in the program, and only FSU is 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. By July 1, 2024, TEDCO must include information on the pilot program in its annual report to the General Assembly. **The bill takes effect July 1, 2021, and terminates June 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by $500,000 in FY 2023 and 2024. Higher education expenditures for FSU increase by $50,000 in FY 2023 and 2024. 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	$550,000	$550,000	$0	$0
GF Expenditure	$0	$500,000	$500,000	$0	$0
SF Expenditure	$0	$550,000	$550,000	$0	$0
Higher Ed Exp.	$0	$50,000	$50,000	$0	$0
Net Effect	$0	($550,000)	($550,000)	$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.

<center>**Analysis**</center>

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 FSU;
- create an opportunity for meaningful economic impact in the region around FSU; or
- foster collaboration between 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.

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

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 FSU increase by $50,000 annually in those years to qualify for the program. Accordingly, special fund revenues for MIIF increase by $550,000 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 $130,000 annually for travel, marketing, legal services, information technology, and on-site contractual assistance at FSU, 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 Comments: Chapter 207 of 2020 established the Task Force on the Economic Future of Western Maryland, staffed by the Department of Commerce. The task force must study the current economic conditions of Western Maryland and make recommendations on potential methods to improve the economies of Allegany, Garrett, and Washington counties. TEDCO participated as a member of the task force. The bill implements a recommendation in the task force's interim report.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 802 (Senators Edwards and Corderman) - Finance and Budget and Taxation.

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 3, 2021
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