

# SENATE BILL 125

C8

(PRE-FILED)

3lr0661  
CF 3lr1599

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By: **Senator Hayes**

Requested: November 1, 2022

Introduced and read first time: January 11, 2023

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 10, 2023

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

1 AN ACT concerning

2 ~~Business Diversity Incubator Program~~

3 Maryland Technology Development Corporation – Business Diversity Incubator  
4 Program and Fund – Establishment

5 FOR the purpose of establishing the ~~Digital Bay~~ Business Diversity Incubator Program and  
6 Fund in the Maryland Technology Development Corporation to provide grants to  
7 certain nonprofit organizations to establish certain business incubators; and  
8 generally relating to the establishment of the ~~Digital Bay~~ Business Diversity  
9 Incubator Program and Fund.

10 BY repealing and reenacting, without amendments,  
11 Article – Economic Development  
12 Section ~~9–401(a) and (c)~~ and 10–401(a) and (c)  
13 Annotated Code of Maryland  
14 (2018 Replacement Volume and 2022 Supplement)

15 BY adding to  
16 Article – Economic Development  
17 Section 10–490 to be under the new part “Part XI. ~~Digital Bay~~ Business Diversity  
18 Incubator Program”  
19 Annotated Code of Maryland  
20 (2018 Replacement Volume and 2022 Supplement)

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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.



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

**Article – Economic Development**

~~9-101.~~

~~(a) In this division the following words have the meanings indicated.~~

~~(c) “Department” means the Department of Commerce.~~

10-401.

(a) In this subtitle the following words have the meanings indicated.

(c) “Corporation” means the Maryland Technology Development Corporation.

10-488. **RESERVED.**

10-489. **RESERVED.**

**PART XI. ~~DIGITAL BAY~~ BUSINESS DIVERSITY INCUBATOR PROGRAM.**

10-490.

**(A) (1) IN THIS SECTION, ~~“PROGRAM” MEANS THE DIGITAL BAY BUSINESS DIVERSITY PROGRAM.~~ THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(2) “FUND” MEANS THE BUSINESS DIVERSITY INCUBATOR FUND.**

**(3) “PROGRAM” MEANS THE BUSINESS DIVERSITY INCUBATOR PROGRAM.**

**(4) “QUALIFIED INCUBATOR” MEANS A NONPROFIT ORGANIZATION, B CORPORATION, OR SOCIAL ENTERPRISE IN THE STATE THAT:**

**(I) PRIMARILY SERVES OR WILL PRIMARILY SERVE BUSINESSES IN THE STATE;**

**(II) REQUIRES OR WILL REQUIRE PARTICIPATING BUSINESSES TO ENGAGE IN A FORMAL INCUBATOR PROGRAM DESIGNED TO ADVANCE EARLY-STAGE BUSINESSES;**

1                   **(III) IS STAFFED OR WILL BE STAFFED BY AT LEAST ONE**  
2 **INDIVIDUAL DEDICATED TO MENTORING BUSINESSES AND GUIDING THEM THROUGH**  
3 **THE INCUBATOR PROGRAM;**

4                   **(IV) IS DIRECTED BY AN INDIVIDUAL WHO HAS COMPLETED A**  
5 **TRAINING PROGRAM FOCUSED ON OPERATING A BUSINESS INCUBATOR TARGETING**  
6 **SOCIALLY AND ECONOMICALLY DISADVANTAGED ENTREPRENEURS, OR HELPING**  
7 **SOCIALLY AND ECONOMICALLY DISADVANTAGED ENTREPRENEURS SECURE**  
8 **INVESTMENT, THAT INCLUDED TOPICS SUCH AS:**

9                   **1. ADVOCATING FOR DIVERSE TECH**  
10 **ENTREPRENEURSHIP;**

11                   **2. THE HISTORY OF DIVERSE ECOSYSTEMS AND**  
12 **VENTURE CAPITAL;**

13                   **3. NAVIGATING DIVERSE TECH ENTREPRENEURSHIP;**

14                   **4. RISK, LEGAL ISSUES, AND SECURITIES AND**  
15 **EXCHANGE COMMISSION REGULATIONS;**

16                   **5. THE DUE DILIGENCE PROCESS FOR EARLY-STAGE**  
17 **INVESTMENTS;**

18                   **6. THE BUSINESS OF VENTURE CAPITAL;**

19                   **7. UNDERSTANDING INVESTMENT DOCUMENTS AND**  
20 **TERM SHEETS;**

21                   **8. ACCOUNTING, TAXES, AND EXITS FOR COMPANIES**  
22 **AND FOUNDERS;**

23                   **9. BUILDING WEALTH IN DIVERSE COMMUNITIES;**

24                   **10. UNDERSTANDING SOCIETAL RACISM,**  
25 **DISCRIMINATION, AND BIAS;**

26                   **11. UNDERSTANDING AND MITIGATING CONSCIOUS AND**  
27 **UNCONSCIOUS BIAS;**

28                   **12. DEALING WITH MICROAGGRESSIONS IN THE**  
29 **WORKPLACE AND BEYOND;**



1 ~~(V) BUSINESS MATERIALS.~~ PLANNING THE ESTABLISHMENT OF  
2 A QUALIFIED INCUBATOR OR PLANNING FOR A QUALIFIED INCUBATOR'S  
3 LONG-TERM SUSTAINABILITY;

4 (II) CAPITAL IMPROVEMENTS, SECURING REAL ESTATE,  
5 RENOVATIONS, AND THE PURCHASE OF CAPITAL EQUIPMENT TO ESTABLISH OR  
6 GROW A QUALIFIED INCUBATOR; OR

7 (III) OPERATING AND PROGRAM EXPENSES ASSOCIATED WITH  
8 SUPPORTING PROGRAMS.

9 (2) GRANTS AWARDED UNDER THE PROGRAM MAY NOT BE USED TO  
10 SUPPORT MORE THAN 25% OF THE OPERATING EXPENSES OF A QUALIFIED  
11 INCUBATOR UNLESS THE GRANT IS AWARDED WITHIN THE FIRST YEAR OF  
12 OPERATION OF THE QUALIFIED INCUBATOR.

13 (3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH,  
14 GRANTS AWARDED UNDER THE PROGRAM SHALL BE FOR A PERIOD OF 3 YEARS.

15 (II) 1. THE CORPORATION MAY RENEW A GRANT AT THE END  
16 OF THE 3-YEAR PERIOD ON A COMPETITIVE BASIS WITH OTHER QUALIFIED  
17 INCUBATORS APPLYING FOR FUNDING.

18 2. THE RENEWAL OF A GRANT IS SUBJECT TO THE  
19 QUALIFIED INCUBATOR'S COMPLIANCE WITH THE TERMS OF THE GRANT INCLUDING  
20 ECONOMIC IMPACT METRICS PROPOSED IN THE APPLICATION FOR THE GRANT.

21 (4) FOR ANY FISCAL YEAR, AN ORGANIZATION MAY NOT RECEIVE  
22 FROM THE CORPORATION A GRANT UNDER THE PROGRAM THAT EXCEEDS \$250,000  
23 IS LESS THAN \$100,000 OR EXCEEDS \$400,000.

24 ~~(F) (E)~~ (1) THE CORPORATION, IN CONSULTATION WITH THE  
25 DEPARTMENT, SHALL ESTABLISH A COMPETITIVE APPLICATION PROCESS FOR  
26 GRANTS MADE UNDER THIS SECTION THE PROGRAM.

27 (2) THE CORPORATION SHALL AWARD AT LEAST HALF OF THE MONEY  
28 APPROPRIATED TO THE PROGRAM TO ORGANIZATIONS THAT PARTICIPATE IN §  
29 14-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE GIVE PREFERENCE  
30 TO QUALIFIED INCUBATORS THAT:

31 (I) HAVE A PROGRAM MANAGED BY SOCIALLY OR  
32 ECONOMICALLY DISADVANTAGED INDIVIDUALS;

1                    (II) ARE LOCATED IN A FEDERALLY RECOGNIZED HUB ZONE, A  
2 STATE QUALIFIED OPPORTUNITY ZONE, OR AN UNDERSERVED COMMUNITY;

3                    (III) HAVE EXPERIENCE SUPPORTING COMPANIES IN THE  
4 START-UP STAGE;

5                    (IV) SERVE COMPANIES LED BY SOCIALLY OR ECONOMICALLY  
6 DISADVANTAGED INDIVIDUALS AND HAVE AN ECONOMIC IMPACT ON UNDERSERVED  
7 COMMUNITIES; OR

8                    (V) HAVE ESTABLISHED A PRESENCE IN AN UNDERSERVED  
9 COMMUNITY.

10            ~~(E)~~ (F)        (1) THE CORPORATION AND A GRANT RECIPIENT SHALL  
11 EXECUTE A PROGRAM AGREEMENT.

12                    (2) THE GRANT RECIPIENT SHALL COMPLY WITH THE TERMS OF THE  
13 PROGRAM AGREEMENT.

14                    ~~(3) THE PROGRAM AGREEMENT MAY NOT ALLOW FOR MORE THAN~~  
15 ~~15% OF THE AMOUNT OF THE GRANT TO BE USED FOR OPERATING EXPENSES.~~

16                    ~~(4)~~        (4) THE CORPORATION MAY EXERCISE ANY REMEDY AUTHORIZED BY  
17 LAW IF THE GRANT RECIPIENT:

18                    (I) VIOLATES ANY PROVISION OF THE PROGRAM AGREEMENT;  
19 OR

20                    (II) DOES NOT MEET ANY REQUIREMENT UNDER THIS SECTION.

21                    ~~(H)~~ (G)        (1) ON OR BEFORE SEPTEMBER 1, 2024, AND EACH  
22 SEPTEMBER 1 THEREAFTER, AN ORGANIZATION THAT RECEIVES A GRANT UNDER  
23 ~~THIS SECTION~~ THE PROGRAM SHALL REPORT TO THE CORPORATION  
24 DOCUMENTING HOW THE ORGANIZATION USED THE GRANT MONEY RECEIVED IN  
25 THE IMMEDIATELY PRECEDING YEAR.

26                    (2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS  
27 SUBSECTION SHALL INCLUDE:

28                    (I) INFORMATION ABOUT THE USE OF THE GRANT;

29                    (II) THE ECONOMIC IMPACT OF THE GRANT; AND

1                    (III) ANY OTHER INFORMATION THE CORPORATION DEEMS  
2 NECESSARY TO DETERMINE THE EFFECTIVENESS AND IMPACT OF THE PROGRAM.

3                    ~~(2)~~ (3)        ON OR BEFORE DECEMBER 31, ~~2023~~ 2024, AND EVERY ~~2~~  
4 ~~YEARS~~ YEAR THEREAFTER, THE CORPORATION SHALL REPORT TO THE GENERAL  
5 ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE,  
6 ON:

7                    (I)        THE NUMBER OF GRANTS AWARDED UNDER ~~THIS SECTION~~  
8 THE PROGRAM;

9                    (II)       THE AMOUNT OF EACH GRANT AWARDED UNDER THIS  
10 SECTION; AND

11                   (III)      THE NAME AND LOCATION OF EACH ORGANIZATION  
12 AWARDED A GRANT UNDER ~~THIS SECTION; AND~~ THE PROGRAM.

13                   ~~(IV) ANY OTHER INFORMATION THE CORPORATION~~  
14 ~~DETERMINES IS NECESSARY.~~

15                   ~~(I) THE CORPORATION, IN CONSULTATION WITH THE DEPARTMENT,~~  
16 ~~SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.~~

17                   (H)      (1)       THERE IS A BUSINESS DIVERSITY INCUBATOR FUND.

18                   (2)       THE PURPOSE OF THE FUND IS TO FUND GRANTS AWARDED BY  
19 THE PROGRAM IN ACCORDANCE WITH THIS SECTION.

20                   (3)       THE CORPORATION SHALL ADMINISTER THE FUND.

21                   (4)       THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT  
22 SUBJECT TO REVERSION UNDER § 7-302 OF THE STATE FINANCE AND  
23 PROCUREMENT ARTICLE.

24                   (5)       THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,  
25 AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

26                   (6)       THE FUND CONSISTS OF MONEY APPROPRIATED IN THE STATE  
27 BUDGET TO THE FUND AND ANY OTHER MONEY FROM ANY OTHER SOURCE  
28 ACCEPTED FOR THE BENEFIT OF THE FUND.

29                   (7)       EXCEPT AS PROVIDED IN PARAGRAPH (8) OF THIS SUBSECTION,  
30 THE FUND MAY BE USED ONLY TO PROVIDE GRANTS UNDER THE PROGRAM.

1           **(8) UP TO 15% OF THE ANNUAL APPROPRIATION TO THE FUND MAY**  
 2 **BE USED FOR THE ADMINISTRATION OF THE FUND AND THE PROGRAM.**

3           **(9) FOR FISCAL YEAR 2025, THE GOVERNOR MAY INCLUDE IN THE**  
 4 **ANNUAL BUDGET BILL AN APPROPRIATION OF \$1,000,000 TO THE FUND.**

5           **(10) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND**  
 6 **IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

7           **(11) MONEY EXPENDED FROM THE FUND FOR THE PROGRAM IS**  
 8 **SUPPLEMENTAL TO AND IS NOT INTENDED TO TAKE THE PLACE OF FUNDING THAT**  
 9 **OTHERWISE WOULD BE APPROPRIATED FOR THE BUSINESS DIVERSITY INCUBATOR**  
 10 **PROGRAM.**

11           **(I) NOTHING IN THIS SECTION MAY BE CONSTRUED TO PROHIBIT AN**  
 12 **ORGANIZATION FROM RECEIVING FUNDS FROM A GOVERNMENT SOURCE OTHER**  
 13 **THAN THE PROGRAM.**

14           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
 15 1, 2023. It shall remain effective for a period of ~~6 years and 6 months~~ 7 years and, at the  
 16 end of ~~December 31, 2029~~ June 30, 2030, this Act, with no further action required by the  
 17 General Assembly, shall be abrogated and of no further force and effect.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.