

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 804 (Senator Ellis)
 Finance and Budget and Taxation

Maryland Technology Development Corporation - Community Technology Program for Maryland - Establishment

This bill establishes the Community Technology Program for Maryland in the Maryland Technology Development Corporation (TEDCO). The program must develop educational programs, establish learning centers, and provide individuals with necessary technology skills, as specified. The Governor must include in the annual budget bill an appropriation of \$2.4 million to the program, from which the program must allocate \$100,000 for use in each county and Baltimore City. The program must identify one local nongovernmental organization (NGO) in each county to (1) receive funding; (2) develop one or more community technology corporations in the county; and (3) implement one or more local programs to implement the purpose of the State program. Each county must develop application procedures for local NGOs to obtain funding from the program, consistent with TEDCO application procedures. **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: No effect in FY 2023. General fund expenditures for TEDCO increase by about \$2.7 million annually beginning in FY 2024 for program funds and TEDCO administrative costs. Funding in FY 2024 is discretionary. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.7	2.7	2.7	2.7	2.7
Net Effect	(\$2.7)	(\$2.7)	(\$2.7)	(\$2.7)	(\$2.7)

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

Local Effect: Local government expenditures may increase minimally to develop application procedures for NGOs. This estimate assumes that local revenues and expenditures are not otherwise affected, as discussed below.

Small Business Effect: Likely minimal. NGOs are generally nonprofit organizations, which are not considered small businesses for purposes of fiscal and policy notes.

Analysis

Bill Summary: The program must (1) develop educational programs to provide services that promote after-school technology clubs; (2) establish learning centers for individuals seeking basic technological skills for employment; and (3) provide individuals in the community with the necessary skills to use technology to obtain essential aid from the government and businesses.

Current Law: TEDCO is an independent entity established by the Maryland General Assembly in 1998 to facilitate the creation of technology companies and encourage collaboration between these emerging businesses and federal and State research laboratories. TEDCO also aims to promote new research activity and investments that lead to business development in Maryland. For further information on TEDCO, including a general overview and recent program additions, see the **Appendix – Maryland Technology Development Corporation**.

State Fiscal Effect: This estimate assumes that discretionary funding is provided in fiscal 2024 prior to the mandated appropriation being effective in fiscal 2025. TEDCO must allocate the entire \$2.4 million mandated appropriation each year for use in each county and Baltimore City for the purposes of the program. However, TEDCO also requires half the time of a program manager and other resources to administer the program. TEDCO estimates additional funding needs of \$75,000 for salary and fringe benefits as well as \$192,000 for administrative expenses, such as information technology support, facilities expenses, and marketing (8% of annual programmatic funding), for a total of \$267,000 annually. Therefore, general fund expenditures for TEDCO increase by approximately \$2.7 million annually beginning in fiscal 2024. TEDCO employees are not State employees.

Local Fiscal Effect: The bill does not allocate funding to counties. It allocates funding for use in each county, and the NGOs receive money from the program, which is administered by TEDCO. Therefore, this estimate assumes local government revenues and expenditures are not affected by the receipt and allocation of program funding.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Technology Development Corporation; Department of Budget and Management; Baltimore City; Caroline and Prince George's counties; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2023
rh/lgc

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Appendix – Maryland Technology Development Corporation

The Maryland Technology Development Corporation (TEDCO) is an independent entity established by the Maryland General Assembly in 1998 to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. TEDCO investments must meet statutory eligibility criteria that generally require a business to have and subsequently maintain a presence in the State. TEDCO programs typically assist companies based on a company's stage of development: from early stage and technology transfer to growth stage.

TEDCO's purview and funding has expanded in recent years as legacy programs were transferred from the Department of Commerce and new programs were established directly within TEDCO. The Maryland Venture Fund and a biotechnology grant program were transferred to TEDCO in fiscal 2016. The following programs have been established by legislation since 2021:

- **Pre-Seed Builder Fund:** The Pre-Seed Builder Fund supports the development of start-up companies run by entrepreneurs from socially or economically disadvantaged backgrounds that hinder access to traditional forms of capital and executive networks at the pre-seed stage. The Governor must include appropriations in the budget bill in the following amounts: \$5.0 million in fiscal 2023; \$6.2 million in fiscal 2024; and \$7.5 million annually beginning in fiscal 2025.
- **Inclusion Fund:** The Inclusion Fund provides capital investment in technology-based businesses that (1) would qualify for investment under the Builder Fund, as provided in TEDCO regulations; (2) are at least 30% owned by individuals who demonstrate economic disadvantage; and (3) are controlled and managed for at least one year after the time of investment by an individual or individuals who demonstrate economic disadvantage.
- **Maryland Makerspace Initiative Program:** The program encourages the establishment and expansion of makerspaces throughout the State. The Governor must include an appropriation in the annual budget bill of at least \$1.0 million in fiscal 2024 through 2028 for the fund. The program terminates September 30, 2028.

- **Maryland Equity Investment Fund:** The Maryland Equity Investment Fund allows unappropriated general fund surplus to be invested in a “qualified business” – with a goal to increase private equity and venture capital in the State – and the interest earnings and investment returns realized to the benefit of participants of the several pension systems managed by the State Retirement and Pension System. For fiscal 2024, the Governor must include an appropriation in the budget bill to the fund equal to 10% of the unappropriated general fund surplus in excess of \$10.0 million from the second prior fiscal year, up to a maximum of \$10.0 million, with a corresponding decrease in the typical required appropriation.
- **Small Business Innovation Research and Technology Transfer Incentive (SBIR/STTR) Program:** The SBIR/STTR Program allows eligible small businesses to apply for State awards or investments of 25% of SBIR/STTR federal grants, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. TEDCO may make up to 20 Phase I distributions and 10 Phase II distributions per fiscal year for a total of \$1.25 million.

For a more thorough discussion of TEDCO’s structure and programs, including how its programs support companies in different stages of development, see “[Chapter 13. Economic Development and Business Regulation](#)” of *Volume II – Government Services in Maryland* of the 2022 Legislative Handbook Series.