

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 75  
 Ways and Means

(Delegate J. Lewis)

**Maryland Technology Development Corporation - Digital Bay Business Diversity Program - Establishment**

This bill establishes the Digital Bay Business Diversity Program in the Maryland Technology Development Corporation (TEDCO) for the purpose of providing grants to nonprofit organizations to establish diverse and effective business incubators in the State. TEDCO must administer the program in consultation with the Department of Commerce and must hire at least one full-time program coordinator. From fiscal 2026 through 2030, the Governor must include in the annual budget bill an appropriation of \$2.0 million for the program. TEDCO must use the entire appropriation each year to award grants, subject to specified requirements and a competitive application process. By December 31, 2023, and every two years thereafter, TEDCO must report specified programmatic information to the General Assembly. **The bill takes effect July 1, 2023, and terminates December 31, 2029.**

**Fiscal Summary**

**State Effect:** No effect in FY 2024 or 2025 unless discretionary funding is provided. General fund expenditures for TEDCO increase by \$2.35 million from FY 2026 through 2029 and by \$2.18 million in FY 2030. Revenues are not affected. **This bill establishes a mandated appropriation from FY 2026 through 2030.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	2.35	2.35	2.35
Net Effect	\$0.00	\$0.00	(\$2.35)	(\$2.35)	(\$2.35)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful, as discussed below.

## Analysis

**Bill Summary:** TEDCO, in consultation with Commerce, must establish a competitive application process for grants awarded under the program. At least half of the money appropriated to the program each year must be awarded to organizations that are subject to the State's Minority Business Enterprise law.

An organization may apply for a grant under the program if it is a nonprofit organization in the State and exempt from taxation under § 501(c)(3) of the Internal Revenue Code. Grants may be awarded for small business development, marketing, business education curricula, finance training, and business materials. An organization is limited to \$250,000 in grant awards each year. A grant recipient must enter into a program agreement with TEDCO; any violation of the agreement is subject to specified TEDCO remedies. No more than 15% of a grant award may be used for operating expenses. A grant recipient must report annually to TEDCO documenting how the grant money was used, as specified. The bill may not be construed to prohibit an organization from receiving funds from a government source other than the program.

TEDCO, in consultation with Commerce, must adopt regulations to implement the bill.

**Current Law:** TEDCO's Maryland Technology Incubator Program was established by legislation in 2001 to promote entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate physical space designed, and programs intended, to increase or accelerate business success in the field of technology.

Financial assistance may be used to (1) support the development and use of best practices in the incubation process; (2) provide strategic planning, needs assessment, and feasibility studies; and (3) assist in the acquisition and construction of new or expanded space or the renovation of existing space for an incubator. Eligible recipients are (1) local governments; (2) agencies, instrumentalities, and nonprofits designated by local governments; (3) public or private colleges or universities; (4) the Maryland Economic Development Corporation; and (5) nonprofit entities acting as incubators in the State.

A recipient must provide matching funds or an in-kind contribution that equals the amount of the financial assistance unless the board waives this requirement in whole or part for good cause. The board may not award more than \$1.0 million in any fiscal year for incubator projects within a single county or within Baltimore City unless otherwise approved by a two-thirds vote of the membership of the board.

For further information on TEDCO, including a general overview and recent program additions, see the **Appendix – Maryland Technology Development Corporation**.

**State Expenditures:** This estimate assumes that funding is not provided prior to the mandated appropriation beginning in fiscal 2026 and that existing TEDCO staff can develop program regulations in the intervening years. TEDCO must use the entire mandated appropriation each year for grants but is also required to hire at least one full-time coordinator to administer the program. Thus, TEDCO advises additional funding needs of \$150,000 for salary and fringe benefits as well as \$200,000 for overhead expenses such as accounting and marketing (10% of annual programmatic funding). Therefore, general fund expenditures for TEDCO increase by \$2.35 million from fiscal 2026 through 2029 and by \$2.18 million in fiscal 2030, consistent with the termination of the program midway through the fiscal year. TEDCO employees are not State employees.

Commerce can consult with TEDCO as required by the bill with existing resources.

**Small Business Effect:** Nonprofits are not considered small businesses for purposes of fiscal and policy notes; however, the use of program grant funds under the bill by nonprofits to establish business incubators likely benefits small for-profit businesses.

**Additional Comments:** The fiscal 2023 capital budget bill provides \$350,000 to the board of directors of the Digital Bay Center for the acquisition, planning, design, construction, repair, renovation, reconstruction, site improvement, and capital equipping of the Digital Bay Center Diversity Incubator.

While this estimate assumes no funding is provided to the program in fiscal 2024 and 2025, consistent with the timing of the mandated appropriation, the bill establishes reporting requirements that begin prior to the mandated funding. Specifically, TEDCO must first report certain programmatic information – including the number and amount of grants awarded – to the General Assembly by December 31, 2023. In addition, the first deadline by which grant recipients must report to TEDCO documenting the use of grant awards is September 1, 2024.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Technology Development Corporation; Department of Commerce; Department of Legislative Services

**Fiscal Note History:** First Reader - January 19, 2023  
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## Appendix – Maryland Technology Development Corporation

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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.