

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 358
 Finance

(Senator McCray)

Ways and Means

Economic Development - Maryland Technology Development Corporation -
 Application and Reporting Requirements

This bill requires the Maryland Technology Development Corporation (TEDCO) to include an option for an applicant to provide specified demographic information in its investment application. TEDCO may not take any adverse action against an applicant who declines to provide the information, and the application must include a statement that the information is voluntary but encouraged. Beginning October 1, 2024, and annually thereafter, TEDCO must report to the Governor, the Maryland Economic Development Commission, and the General Assembly specified information related to the corporation’s investments and, if available, provide related de-identified and disaggregated demographic information. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures for TEDCO increase by \$50,000 to \$75,000 in FY 2025 for information technology costs. For purposes of this estimate, the midpoint is shown below. TEDCO staff can handle the bill’s operational requirements, as discussed below. TEDCO program finances are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	62,500	0	0	0	0
Net Effect	(\$62,500)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: TEDCO must include in the application for investment from the corporation required under current law:

- an option for an applicant to provide the applicant's race, ethnicity, age, gender, disability status, veteran status, and the geographic area of the State where the applicant's primary place of business is located; and
- a statement advising the applicant that provision of the information is voluntary but that encourages applicants to provide the information.

The new annual report required by October 1 of each year must include:

- the number of applications TEDCO received;
- the amount of investment funding that was available at the beginning and the end of the fiscal year;
- the amount of investment funding that was requested;
- the number of applicants TEDCO invested in; and
- the amount of investment funding TEDCO awarded.

The information must specify which applications and investments were from social impact funds, seed funds, and the Maryland Venture Fund. Additionally, if available, the report must provide information that has been de-identified and disaggregated on applicants and qualified business founders by race, ethnicity, age, gender, disability status, veteran status, and geographic location as well as the degree to which applicants and founders identify with more than one demographic category.

Current Law: Generally, TEDCO may make grants to or provide equity investment financing for technology-based businesses, if:

- the investments are made to a qualified business, as that term is further defined;
- the investments are made on review and approval of a written application that (1) contains sufficient information to verify that the qualified business has its principal business operations in the State or will have a substantial economic impact on the State and (2) contains a certification of the veracity of the information by an authorized signatory of the qualified business; and
- at least the number of members that constitutes a quorum of any fund or authority has been appointed under the requirements for that fund or authority.

TEDCO has two ongoing general reporting requirements: an annual report to the Governor, the Maryland Economic Development Commission, and the General Assembly
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due each October 1; and a biannual report to the same recipients, plus the Joint Audit and Evaluation Committee. The reports must include specified information related to the entities receiving funding from TEDCO programs.

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

State Expenditures: TEDCO advises that it currently collects the required demographic information for some, but not all, of its programs. As such, TEDCO estimates one-time information technology costs of \$50,000 to \$75,000 in fiscal 2025 to adjust remaining application forms for data collection. Existing TEDCO program staff, plus an anticipated dedicated information technology staff expected to be hired independent of the bill, can handle the bill’s operational requirements, which include outreach, data validation, and reporting. TEDCO advises that the necessary staff time represents approximately \$50,000 in compensation costs in fiscal 2025, although that amount is expected to decrease over time as program applicants and TEDCO adjust to the bill’s requirements. The bill also prohibits TEDCO from taking any adverse action against an applicant who declines to provide the information.

Accordingly, general fund expenditures for TEDCO increase by \$50,000 to \$75,000 in fiscal 2025 only, TEDCO staff can handle the bill’s operational requirements, and TEDCO program finances are not affected.

Additional Comments: The above estimates assume that the bill applies to TEDCO’s investment programs and not its grant programs, consistent with the bill’s ongoing references to investment applications and investment funding data.

Additional Information

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

Designated Cross File: HB 753 (Delegate Young) - Ways and Means.

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

Fiscal Note History: First Reader - February 2, 2024
km/ljm Third Reader - February 16, 2024

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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 fiscal 2024 budget includes \$54.7 million in general funds for TEDCO programs. The following programs have been established by legislation since 2021, with mandated appropriations also noted.

- **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** – 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** – 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** – 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 was required to 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. The maximum amount was appropriated.

- **Small Business Innovation Research and Technology Transfer Incentive (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.
- **Equitech Growth Fund and Commission** – supports economic competitiveness and inclusive growth of emerging and advanced industries in the State through the creation of supporting infrastructure assets, resources, and a diverse workforce that builds the strengths of the State’s economy. TEDCO must award grants, investments, loans, or other financial assistance to public, nonprofit, or private entities in the State. Awards must target workforce development and infrastructure. From fiscal 2025 through 2033, the Governor must include in the annual budget bill an appropriation of \$5.0 million for awards from the fund.
- **Cyber Maryland Program and Fund** – creates a talent pipeline in cybersecurity, serves as a hub for State workforce development programs in cybersecurity, and generally coordinates cybersecurity and research and innovation in the State, among other things. Beginning in fiscal 2025, the Governor may include an appropriation in the annual budget bill of \$250,000 for the fund; however, the Governor must include an appropriation that is sufficient to hire staff for the program.
- **Human-relevant Research Program and Fund** – promotes State-funded research intended to develop human-relevant alternatives to using nonhuman animals in testing and research through grants and loans. TEDCO must establish a grant and loan program, as specified, which includes contracting with an independent scientific review board to review research proposals and make recommendations to TEDCO. The program is funded by fees on entities conducting research on nonhuman animals.