

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 241 (Chair, Education, Energy, and the Environment
 Committee)(By Request - Departmental - Labor)
 Education, Energy, and the Environment

Cyber Maryland Program - Revisions

This departmental bill transfers the Cyber Maryland Program, including the Cyber Maryland Fund and Cyber Maryland Board, from the Maryland Technology Development Corporation (TEDCO) to the Maryland Department of Labor (MD Labor). The bill also (1) repeals mandated funding of \$99,000 annually to be used for talent pipeline management and an additional discretionary authorization; (2) expands the program’s required activities; (3) authorizes additional uses for the fund; (4) adjusts the composition of the board and members’ terms; and (5) makes technical and conforming changes.

Fiscal Summary

State Effect: General fund expenditures increase by \$3.0 million in FY 2026 and by \$2.9 million annually thereafter, reflecting the net amount of contingent appropriations for FY 2026 and anticipated ongoing program funding; special fund revenues and expenditures increase commensurately. These amounts reflect a decrease in spending for TEDCO (\$99,000 annually) and an increase in funding for MD Labor (\$3.1 million in FY 2026 and \$3.0 million annually thereafter) due to the transfer of the Cyber Maryland Program and the repeal of the mandated appropriation. **This bill eliminates a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9
GF Expenditure	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9
SF Expenditure	\$3.0	\$2.9	\$2.9	\$2.9	\$2.9
Net Effect	(\$3.0)	(\$2.9)	(\$2.9)	(\$2.9)	(\$2.9)

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

Local Effect: Potential increase in grant revenues for local government entities. Expenditures are not directly affected.

Small Business Effect: MD Labor has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment, as discussed below.

Analysis

Bill Summary: The bill repeals language requiring the Governor to include \$99,000 in the annual budget bill for the fund to be used for talent pipeline management. Additionally, the bill repeals language authorizing, but not requiring, the Governor to include an additional \$250,000 in the annual budget bill that, subject to the availability of funding, must be used to implement the U.S. Chamber of Commerce Talent Pipeline Management Approach.

Cyber Maryland Program

The bill expands the Cyber Maryland Program's required activities to include developing, promoting, supporting, and investing in talent improvement strategies such as strategies that leverage the U.S. Chamber of Commerce Talent Pipeline Management Approach.

Cyber Maryland Fund

The bill also expands the authorized uses of the Cyber Maryland Fund to include additional eligible recipients of grants. Under the bill, eligible grant recipients include registered apprenticeship sponsors, local workforce development boards, industry associations, labor unions, local governments, local or regional economic development entities, and other relevant partner entities at MD Labor's discretion.

Cyber Maryland Board

The bill transfers the Cyber Maryland Board to MD Labor and adjusts board composition by replacing the Secretary of Labor (or designee) with the Secretary of Commerce (or designee) and adding representation from the Secretary of Higher Education and the State Superintendent of Schools. The bill repeals the Governor's authority to remove an appointed member of the board for incompetence, misconduct, or failure to perform the duties of the position. Under the bill, the membership of the board must, to the extent practicable, reflect the race, gender, age, and geographic diversity of the State.

The bill also clarifies the terms for board members and re-staggers the board's membership. Under the bill, members serve for a term of four years until a successor is appointed and qualifies. A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed and qualifies.

Current Law: Chapter 578 of 2023 established the Cyber Maryland Program in TEDCO to create a talent pipeline in cybersecurity, serve as a hub for State workforce development programs in cybersecurity, and generally coordinate cybersecurity and research and innovation in the State, among other things. The Act also created the Cyber Maryland Fund as a special, nonlapsing fund, and the Cyber Maryland Board. Under Chapter 509 of 2024, TEDCO also administers the fund.

The program must conduct ongoing research by collaborating with specified entities to collect and analyze real-time industry data to identify cybersecurity workforce needs as described in the U.S. Chamber of Commerce Talent Pipeline Management Approach. The program must also (1) use the results of its research to increase the effectiveness of existing State cybersecurity workforce programs for employers in the State; (2) facilitate partnerships for new training and education programs to address the workforce needs identified in the program's research; and (3) develop a statewide strategic plan for cybersecurity workforce development.

The Cyber Maryland Fund consists of money appropriated in the State budget and any money from any other source accepted for the benefit of the fund. The purposes of the fund are to facilitate the Cyber Maryland Program's achievement of the program's specified purposes and support innovative approaches to meeting cybersecurity workforce needs. Funds may only be used for (1) administrative expenses of the program, including hiring staff, consultants, and other professionals as specified and (2) providing grants to elementary and secondary schools, institutions of higher education, including community colleges, for-profit corporations, and nonprofit organizations to operate cybersecurity programs based on the strategic plan of the Cyber Maryland Program. TEDCO must adopt regulations to award grants under the program.

As updated by Chapter 509, the fund is subject to a mandated appropriation requiring the Governor to include \$99,000 in the annual budget bill for the fund to be used for talent pipeline management. Additionally, current law authorizes, but does not require, the Governor to include an additional \$250,000 in the annual budget bill beginning in fiscal 2025 that, subject to the availability of funding, must be used for implementing the U.S. Chamber of Commerce Talent Pipeline Management Approach. Chapter 578 also authorized funds from the Dedicated Purpose Account (DPA) to be transferred by budget amendment to implement the Act beginning in fiscal 2025. Although not a mandated appropriation, current law also requires the Governor to include an appropriation in an amount sufficient for the program (this provision is maintained by the bill).

Background: For more information on TEDCO, see the **Appendix – Maryland Technology Development Corporation**.

The Cyber Maryland Program received an appropriation of \$690,000 in fiscal 2024, with \$250,000 to be used for implementing the U.S. Chamber of Commerce Talent Pipeline Management Approach. The fiscal 2025 budget as enacted included \$440,000 in general funds for the Cyber Maryland Program. The fiscal 2026 budget as introduced includes \$99,000 in general funds for TEDCO for the Cyber Maryland Program in accordance with the mandated appropriation. However, the fiscal 2026 budget also includes a \$99,000 reduction in general fund expenditures for TEDCO, contingent on the passage of legislation moving the program and fund to MD Labor. Conversely, the fiscal 2026 budget includes a \$3.1 million general fund appropriation to MD Labor, contingent on the passage of legislation moving the program and fund to the department. Finally, the fiscal 2026 budget includes \$2.0 million in DPA funds for cyber workforce grants made under the Cyber Maryland Program, bringing total funding in fiscal 2026 to \$5.1 million.

MD Labor is well-positioned to deliver cyber security workforce solutions through existing strategic partnerships and sector strategies, including the Employment Advancement Right Now (or EARN) Maryland program, the Maryland Apprenticeship and Training Program, and the department's partnership with the Governor's Workforce Development Board and Department of Information Technology to support training for cybersecurity professionals.

State Fiscal Effect: The bill effectuates a contingent reduction of the \$99,000 general fund appropriation for TEDCO in fiscal 2026, resulting in commensurate special fund revenue and expenditure reductions for TEDCO. Similarly, it effectuates the \$3.1 million contingent general fund appropriation to MD Labor in fiscal 2026, and commensurate special fund revenues and expenditures for the Cyber Maryland Fund. This analysis further reflects MD Labor's expectation of annual \$3.0 million general fund expenditures and special fund revenues and expenditures in the out-years. The \$2.0 million appropriation from DPA in fiscal 2026 is not contingent on the bill and, therefore, is not included in this analysis; it is also not projected to continue in the out-years.

TEDCO advises that the program currently operates with one executive director paid using the Cyber Maryland Fund, as administrative expenses of the program are an allowable use of the fund. TEDCO further advises that, since all administrative expenditures for the program are paid using the Cyber Maryland Fund, the bill has no fiscal impact to TEDCO beyond the transfer of the Cyber Maryland Fund. TEDCO employees are not State employees, however, MD Labor anticipates re-hiring or transferring the existing executive director position as part of the program transfer.

Additionally, MD Labor advises that its Office of the Secretary and Division of Workforce Development and Adult Learning Office of Strategic Initiatives (OSI) will require staff support beyond the executive director to manage the grant program. MD Labor advises that staffing requirements include a program manager for the Office of the Secretary and two grant managers in OSI. Based on these requirements, DLS estimates the cost of staffing

for the Cyber Maryland Program, including the executive director position expected to transfer from TEDCO, to be approximately \$380,000 in fiscal 2026, which reflects the bill's October 1, 2025 effective date. Those costs are expected to increase to more than \$450,000 in the out-years due to annualization, inflation, and ongoing costs. Any such personnel costs are assumed to be paid from the Cyber Maryland Fund and, therefore, do not add to the bill's fiscal effect. However, they reduce the amount of funds available for grants.

MD Labor further advises that administration of the program will entail time commitments from existing staff. DLS assumes that such time commitments are manageable within the existing resources of MD Labor.

Local Revenues: Under the bill, local governments, local workforce development boards, as well as local or regional economic development entities are eligible for grants made from the Cyber Maryland Fund. To the extent that MD Labor adopts standards that result in additional grants being awarded to such local entities or to the extent additional funding effectuated by the bill allows grants to be made to local entities already eligible under current law, local revenues increase.

Small Business Effect: MD Labor advises that the bill has a meaningful impact on small businesses in the State, as many cybersecurity firms qualify as small businesses. DLS agrees that the Cyber Maryland Program has a potential meaningful impact on small cybersecurity businesses that receive grant funding from the additional appropriated funds effectuated by the bill. In addition to greater funding, the bill expands allowable uses of the fund to include additional entities that may expand the number of small businesses eligible to receive funds.

Additional Comments: The bill transfers the Cyber Maryland Program and Cyber Maryland Fund from TEDCO to MD Labor on October 1, 2025. However, the contingent appropriations for the program and fund are effectuated at the start of the fiscal year. Accordingly, while TEDCO will still have nominal control of the program for three months of fiscal 2026, it will no longer have any related funding for it. Further, while MD Labor will have funding for the program, concurrent with the start of the fiscal year, it will have no authority to manage the program or expend the funds.

Additional Information

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

Designated Cross File: HB 82 (Chair, Health and Government Operations Committee)(By Request - Departmental - Labor) - Health and Government Operations.

Information Source(s): Department of Information Technology; Maryland Technology Development Corporation; Department of Commerce; Maryland State Department of Education; Maryland Higher Education Commission; Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2025
km/mcr

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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 following programs have been established by legislation since 2021. Related mandated appropriations are 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 annual 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 (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 State pension systems. Subject to specified criteria related to unappropriated general fund surplus, the Governor was required to include \$10.0 million in the fund in the fiscal 2024 budget bill.
- **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** – support 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 to the fund.
- **Cyber Maryland Program and Fund** – create a talent pipeline in cybersecurity, serve as a hub for State workforce development programs in cybersecurity, and generally coordinate cybersecurity and research and innovation in the State, among other things. Beginning in fiscal 2025, the Governor (1) must include in the annual budget bill an appropriation of \$99,000 for the fund to be used for talent pipeline management and (2) may include an additional appropriation in the annual budget bill of \$250,000 for the fund.
- **Human-Relevant Research Program and Fund** – promote 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. The program is funded by fees on entities conducting research on nonhuman animals.
- **Pava LaPere Innovation Acceleration Grant Program** – fosters growth of the entrepreneurial innovation ecosystem in the State by providing grants to technology-based start-up companies that are founded by students of postsecondary institutions located in the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA) and have their principal place of business in the MSA. Each fiscal year, the Governor must include an appropriation for the program in the annual budget bill, although no amount is specified.
- **Baltimore Innovation Initiative Pilot Program** – provides incentives for and grows technology start-up companies founded by students or faculty at eligible universities. For fiscal 2025 and 2026, the Governor must include in the annual budget bill an appropriation of \$1.5 million for the program. The program terminates June 30, 2027.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Cyber Maryland Program - Revisions

BILL NUMBER: SB 241

PREPARED BY: Andrew Fulginiti

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

OR

 X WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

Summary (if applicable):

According to data from the 2023 Quarterly Census of Employment and Wages (QCEW), Maryland had 84,163 workers across 10,501 establishments in NAICS 5415 (Custom Computer Design Services), a code that often includes cybersecurity. In other words, the average establishment had approximately 8 employees. In contrast, the average private-sector establishment across all industries employed nearly 12 employees in Maryland in 2023.

To that end, data suggests cybersecurity firms in Maryland are more likely to be smaller and MDL is well-positioned to deliver cyber security workforce solutions to these smaller employers through existing strategic partnerships and sector strategies. Maryland has ambitious cyber security goals and MDL is best equipped to ensure the talent pipeline needed to fulfill this vision is strong, readily available, and equipped with the skills needed to deliver.

By investing into MDL's suite of cyber security workforce solutions, MDL will be able to support Marylanders with access or advancement within cyber security careers across the state and also ensure that Maryland's small businesses have access to the skilled talent needed to support their growing needs. MDL's proposal builds upon best practices and proven outcomes for providing industry-driven, responsive workforce solutions that lead with equity and provide access to increased economic opportunity.