

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 377
 Finance

(Senator A. Washington)

Economic Development - Business Resource Initiative for Developmental Growth and Empowerment (BRIDGE) Program - Establishment

This bill establishes the Business Resource Initiative for Developmental Growth and Empowerment (BRIDGE) Program and Fund in the Department of Commerce for the purpose of providing grants to qualified incubators to establish diverse and effective business incubators in the State. Subject to a competitive application process, a required allocation, preferences, and limitations on the use of funds for operating expenses, a qualified incubator may receive a grant of \$100,000 to \$400,000. The bill does not mandate a level of funding for the program but does specify that the Governor may include in the annual budget bill an appropriation of \$5.0 million to the BRIDGE Fund from fiscal 2027 through 2032. Commerce must report specified programmatic information to the General Assembly each year, beginning in 2027. **The bill takes effect July 1, 2025, and terminates June 30, 2032.**

Fiscal Summary

State Effect: General fund expenditures for Commerce increase by \$5.0 million annually from FY 2027 through 2030 (and through FY 2032), under the assumptions discussed below. Special fund revenues and expenditures for the BRIDGE Fund increase correspondingly as funds are received and used by Commerce for authorized purposes. All funding is discretionary; no effect in FY 2026, although funding is not precluded that year.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$0	\$5.0	\$5.0	\$5.0	\$5.0
GF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
SF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	\$0.0	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

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

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful, as discussed below.

Analysis

Bill Summary:

Qualified Incubators

“Qualified incubator” means a for-profit organization, nonprofit organization, B Corporation, public-private partnership (P3), or social enterprise in the State that was established on or after January 1, 2012, and:

- primarily serves or will primarily serve businesses in the State;
- requires or will require participating businesses to engage in a formal incubator program designed to advance early-stage businesses;
- is staffed or will be staffed by at least one individual dedicated to mentoring businesses and guiding them through the BRIDGE Program; and
- is directed by an individual who has completed a training program that (1) focused on operating a business incubator targeting socially and economically disadvantaged entrepreneurs or helping those entrepreneurs secure investment and (2) incorporated specified topics, including diversity, equity, and inclusion solutions and navigating diverse technology entrepreneurship.

Business Resource Initiative for Developmental Growth and Empowerment Program

Commerce must administer the BRIDGE Program and must hire at least one full-time coordinator to do so. The department must establish a competitive application process for grants made under the program and must award at least half of the money appropriated to the program to organizations that participate in procurements under the State Minority Business Enterprise (MBE) program. The department must also give preference to qualified incubators that (1) have a program managed by socially or economically disadvantaged individuals; (2) are located in a federally recognized hub zone, a State qualified opportunity zone, or an underserved community; (3) have experience supporting companies in the start-up stage; (4) serve companies led by socially or economically disadvantaged individuals and that have an economic impact on underserved communities; or (5) have established a presence in an underserved community.

Commerce may award a grant under the program for (1) planning the establishment of a qualified incubator or planning for a qualified incubator’s long-term sustainability; (2) capital improvements, securing real estate, renovations, and the purchase of capital

equipment to establish or grow a qualified incubator; or (3) operating and program expenses associated with supporting programs.

Generally, grants awarded under the program must renew and be awarded to a qualified incubator each fiscal year without further application; however, the renewal, which is subject to the recipient's compliance with the grant terms, is still on a competitive basis with other qualified incubators applying for funding. For any fiscal year, an organization may not receive a grant of less than \$100,000 or more than \$400,000. Except in the first year of a grant, grants awarded under the program may not be used to support more than 25% of the operating expenses of a qualified incubator.

A grant recipient must enter into a program agreement with Commerce; any violation of the agreement is subject to specified remedies. By September 1, 2027, and annually thereafter, a grant recipient must report to Commerce documenting how the grant money was used in the immediately preceding fiscal year, as specified. Commerce must annually report related programmatic information to the General Assembly by December 31 each year, again beginning in 2027.

The bill may not be construed to prohibit an organization from receiving funds from a government source other than the program.

Business Resource Initiative for Developmental Growth and Empowerment Fund

The BRIDGE Fund is established in Commerce as a special, nonlapsing fund that is not subject to reversion. The fund consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. Commerce must administer the fund. Expenditures from the fund may be made only in accordance with the State budget; interest earnings accrue to the State general fund. The BRIDGE Fund may be used only to provide grants under the program and to pay for the department's administrative expenses (up to 15% of the annual appropriation).

The bill does not mandate a level of funding for the program but does specify that the Governor may include in the annual budget bill an appropriation of \$5.0 million to the BRIDGE Fund from fiscal 2027 through 2032.

Current Law:

Small, Minority, and Women-Owned Businesses Account

The Small, Minority, and Women-Owned Businesses Account (SMWOBA) in Commerce is used to provide loans and grants to small, minority, and women-owned businesses in the State. A small percentage of gross video lottery terminal proceeds is distributed to

SMWOBA each fiscal year. Commerce then provides grants from SMWOBA to eligible fund managers – in practice, mostly a mixture of county development corporations and private firms. The fund managers then provide loans and grants to small, minority, and women-owned businesses in the State. Generally, grants are limited to \$10,000 per recipient and, except in the case of certain disasters or emergencies, must be issued in conjunction with a loan.

Technology Incubator Program

The Maryland Technology Incubator Program was established 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. The Maryland Technology Development Corporation (TEDCO) administers the program.

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 TEDCO board waives the requirement in whole or part for good cause.

The program has not been funded in recent years.

Minority Business Enterprise Program

The State's MBE program requires that a statewide goal for MBE contract participation be established biennially through the regulatory process under the Administrative Procedure Act. The goal is 29% for fiscal 2025. The Maryland Department of Transportation is designated in State regulations as the State's MBE certification agency. An MBE is a legal entity, other than a joint venture, that is:

- organized to engage in commercial transactions;
- at least 51% owned and controlled by one or more individuals who are socially and economically disadvantaged; and

- managed by, and the daily business operations of which are controlled by, one or more of the socially and economically disadvantaged individuals who own it.

State Fiscal Effect: The bill does not mandate a level of funding for the program, but it does specify that the Governor may include in the annual budget bill an appropriation of \$5.0 million to the BRIDGE Fund from fiscal 2027 through 2032. Based on the bill’s requirement that grant recipients report information to Commerce on the use of grants beginning with fiscal 2027, this analysis assumes \$5.0 million in discretionary funding is provided annually from fiscal 2027 through 2032. Actual expenditures will vary to the extent that the timing and/or amount of discretionary funding is different from this estimate. The bill does not preclude funding in fiscal 2026. The bill requires Commerce to hire at least one full-time staff to administer the program; Commerce advises that one staff is sufficient at the assumed funding level.

Accordingly, general fund expenditures for Commerce increase by \$5.0 million in fiscal 2027, which accounts for an assumed delay in program funding and implementation until July 1, 2026. This estimate reflects the cost of hiring one program manager to administer the program, with support from other Commerce programmatic staff as necessary. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and grants to qualified incubators.

Position	1.0
Salary and Fringe Benefits	\$95,814
Operating Expenses	7,656
Grants to Qualified Incubators	<u>4,896,530</u>
Total FY 2027 State Expenditures	\$5,000,000

Future year expenditures reflect a salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses, with remaining funds used for grants (or additional administrative expenses, should the need arise). Under the bill, total administrative expenses for Commerce cannot exceed 15% of the annual appropriation to the BRIDGE Fund.

Special fund revenues and expenditures for the BRIDGE Fund increase correspondingly as funds are received and Commerce provides grants to eligible recipients under the bill and pays for its administrative expenses. For purposes of this estimate, grants are assumed to be made in the fiscal year that general funds are appropriated (even though grants could be made in subsequent years with retained fund balance).

P3s are eligible recipients of grant funding under the bill, which may positively affect the viability and financing of associated P3 projects.

Small Business Effect: Some eligible grant recipients may be small businesses and directly benefit from grant funding made available under the bill. Nonprofits, which are also eligible grant recipients, are not considered small businesses for purposes of fiscal and policy notes. In either case, the use of grant funds under the bill by grant recipients to establish or grow business incubators may benefit small for-profit businesses located in those incubators.

Additional Comments: The bill's June 30, 2032 termination date precludes a statutory requirement for grant recipients and Commerce to report on the use of any funding provided in fiscal 2032.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 765 and HB 1490 of 2024 and SB 125 and HB 75 of 2023.

Designated Cross File: HB 648 (Delegate Wells, *et al.*) - Ways and Means.

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

Fiscal Note History: First Reader - February 12, 2025
rh/ljm

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510