

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 867 (Senator Hester)
 Education, Energy, and the Environment

Cyber Maryland Program - Revisions

This 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 (\$99,000 annually) for talent pipeline management and an additional discretionary authorization; (2) expands the program’s required activities, including new competitive grants or contracts; (3) authorizes a fiscal 2026 discretionary appropriation of \$3.1 million for the new grants; (4) requires the Governor to include an appropriation sufficient to run the program beginning in fiscal 2027; (5) requires the unspent balances of certain programs and special funds be transferred to the Cyber Maryland Fund annually; (6) authorizes additional uses for the fund; (7) adjusts the composition of the board and members’ terms; and (8) makes technical and conforming changes.

Fiscal Summary

State Effect: Net general fund expenditures and special fund revenues and expenditures increase by \$3.0 million annually beginning in FY 2026, reflecting a decrease in funding for TEDCO (\$99,000 annually) and an increase in funding for MD Labor (\$3.1 million annually) due to transfer of the program, contingent actions in the budget, and changes to mandated appropriations. Special fund revenues may increase further due to transfer of unused balances (not reflected below), but *net* special fund expenditures are assumed to be largely unaffected. **This bill eliminates a mandated appropriation beginning in FY 2026 and establishes a mandated appropriation beginning in FY 2027.**

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

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: Potential meaningful.

Analysis

Bill Summary: The bill repeals language requiring the Governor to include \$99,000 in the annual budget bill for the Cyber Maryland Fund to be used for talent pipeline management. Instead, for fiscal 2026, the Governor *may* include \$3.1 million for the awarding of grants and contracts for information technology or operational technology. Beginning in fiscal 2027, the Governor *must* include in the annual budget an amount sufficient to *run the program*. The bill also alters existing language that, although not a mandate, requires the Governor to include an amount sufficient *for the program* by specifying that such funds must include funding sufficient to hire staff to carry out its duties.

The Cyber Maryland Program must seek cost-sharing or cost-matching agreements from partners, including the federal government, the private sector, and philanthropy, to double the money appropriated to the fund.

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.

Information Technology or Operational Technology Grants

The bill requires that, beginning in fiscal 2026, the program award competitive grants or contracts for information technology or operational technology. The bill expresses the General Assembly's intended *maximum* award amounts for specified grant recipients. Among others, the language indicates the General Assembly's intent for up to \$99,000 in talent pipeline management grants or contracts aligned with the framework from the U.S. Chamber of Commerce Foundation, consistent with current law.

Uncodified language also specifies the General Assembly's intent (1) to include no more than \$1.0 million for cybersecurity clinics and (2) that those clinics will provide cyber awareness and training to customers, perform cybersecurity assessments for customers, provide recommendations for necessary remediations, and install free or reduced-cost cybersecurity tools as part of the grant or at a reduced rate to the end customer. The clinics

are further intended to include five pilot programs focused on emergency services, water, elementary and secondary schools, health, and small business and nonprofit entities.

Other maximum grant award amounts established by the bill's intent language include:

- \$500,000 to support the development of a service-based learning program for cybersecurity;
- \$500,000 to support transitioning veterans within the State who have cyber skills, adjacent skills, or relevant clearances acquired during their service;
- \$250,000 to support existing or develop new programs and incentives for existing worker training;
- \$250,000 to support cybersecurity education at the kindergarten, elementary school, and secondary school levels, including summer camps;
- \$250,000 for a marketing campaign in consultation with the Department of Commerce to attract cyber talent and industry to the State; and
- \$250,000 for the Maryland Statewide Computing Alignment to Locate your Education (or SCALE) portal.

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.

The unspent balance of certain programs and special funds must be transferred to the Cyber Maryland Fund at the close of each fiscal year. These funds and programs include the Employment Advancement Right Now Program Fund; Cybersecurity Investment Tax Credit; Buy Maryland Cybersecurity Tax Credit; Cybersecurity Investment Fund; Pathways in Technology Early College High School Program; Cyber Public Service Scholarship; Maryland Technology Internship Program; Maryland Institute for Innovative Computing; Accelerating Cyber Careers Program; University of Maryland, Baltimore County Center for Cybersecurity; Build for our Future Grant Pilot Program; and Registered Apprenticeships in Cybersecurity.

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 racial, 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.

Cyber Maryland Annual Report

The bill modifies the existing annual reporting report for the program to reflect the transfer and additional requirements. Accordingly, beginning December 1, 2026, the Cyber Maryland Program, in conjunction with MD Labor, must submit a report on the operation and performance of the program to the Governor and the General Assembly. The report must include (1) key performance metrics established by MD Labor that are aligned with the State strategy and goals for the program and (2) the progress of the program against those metrics.

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).

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

State Fiscal Effect: The fiscal 2026 budget as introduced includes actions contingent on the passage of legislation moving the Cyber Maryland Program and Cyber Maryland Fund to MD Labor. The bill effectuates those contingent actions. (More specifically, the budget includes \$99,000 in general funds for TEDCO for the Cyber Maryland Program, in accordance with the existing mandated appropriation; however, contingent language eliminates that appropriation with the program and fund moving to MD Labor. The budget also includes a \$3.1 million general fund appropriation to MD Labor, contingent on the program and fund moving to the department.) Accordingly, general fund expenditures increase by a *net* \$3.0 million (\$99,000 decrease for TEDCO and \$3.1 million increase for MD Labor) in fiscal 2026, with a commensurate net increase in special fund revenues and expenditures for the Cyber Maryland Fund.

While not mandated by the bill, this analysis reflects funding at that \$3.1 million level in the out-years as the bill anticipates that MD Labor continues to implement a competitive grant program. Also, although the fiscal 2026 budget as introduced includes \$2.0 million in DPA funds for cyber workforce grants made under the Cyber Maryland Program (which increases total funding to \$5.1 million), that DPA funding is *not* contingent and, therefore, is not reflected in this estimate; 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.

MD Labor further advises that administration of the program entails time commitments from existing staff. The Department of Legislative (DLS) assumes that such time commitments are manageable within the existing resources of MD Labor.

Additionally, MD Labor advises that its Office of the Secretary and Division of Workforce Development and Adult Learning (DWDAL) Office of Strategic Initiatives (OSI) 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; accordingly, the total grant amounts specified in the bill, which are caps, are offset by the personnel costs. These amounts are also assumed to be sufficient to fulfill the bill's language requiring the Governor to include an appropriation sufficient to run the program.

While the bill establishes that the Cyber Maryland Program must seek cost-sharing or cost-matching agreements from partners, including the federal government, the private sector, and philanthropy, to double the money appropriated to the fund, the bill does not require any such monies to be *paid* to the special fund. Accordingly, this analysis assumes that requirement merely results in a *leveraging* of additional funding for the program, rather than additional monies flowing through the Cyber Maryland Fund. Moreover, MD Labor advises that DWDAL already regularly pursues such discretionary grant opportunities and strategic connections with partners. Accordingly, even if the amount of funding leveraged by this provision does not double the money appropriated, the requirement is for the program to *seek* the funding, not necessarily realize it.

Nevertheless, special fund revenues for the Cyber Maryland Fund further increase to the extent unspent monies from specified programs and other special funds transfer to it at closeout of each fiscal year. The amount of any such transfers cannot be reliably estimated at this time as that amount depends on the usage of existing appropriations across the 12 specified programs and special funds each year. This analysis assumes that there is no material *net* effect on special fund expenditures as the monies transferred would have been expended in a future year by the program or special fund from which they were transferred.

Local Revenues: Under the bill, local governments, local workforce development boards, and 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: Small cybersecurity businesses that receive grant funding from Cyber Maryland benefit 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.

Although the bill specifies the intent of the General Assembly to provide grant funding – at specified maximum amounts, the board must award *competitive* grants or contracts for information technology or operational technology. If the grants are conducted via a standard grant proposal process, MD Labor advises that it cannot control which entities or projects choose to apply for funding. This may mean MD Labor is unable to provide funding up to the maximums specified in the bill’s intent language in some instances.

TEDCO advises that, although the Cybersecurity Investment Fund (one of the special funds affected by the bill) has demand exceeding current appropriations, unspent balances at the end of the fiscal year may represent funds *dedicated as reserves* for additional investments for qualified companies that are already in the fund’s pipeline. Transferring those excess funds to the Cyber Maryland Fund, therefore, may disrupt funding committed to grantees.

Additional Information

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

Designated Cross File: HB 1468 (Delegate Forbes) - Health and Government Operations.

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

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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.