

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 799

(Delegate Vogel, *et al.*)

Ways and Means

Finance

**Economic Development - Maryland Innovation Initiative Institution Partnership
Extension Program - Establishment**

This bill establishes the Maryland Innovation Initiative (MII) Institution Partnership Extension Program. The extension program is implemented and administered by MII, which already exists in the Maryland Technology Development Corporation (TEDCO). The purpose of the extension program is to expand opportunities at eligible institutions for technology validation, entrepreneurial development, and industry engagement. Eligible institutions are Bowie State University (BSU), Frostburg State University (FSU), and any other public or private nonprofit institution of higher education deemed eligible by MII. Each institution must provide a cash match equivalent to 10% of the amount awarded under the program. In fiscal 2027 and 2028, the Governor may include in the annual budget bill an appropriation of \$250,000 for the program. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: No effect in FY 2026. General fund expenditures increase by \$250,000 annually in FY 2027 and 2028 and by \$1.0 million annually thereafter. Special fund revenues and expenditures for the MII Fund (MIIF) increase correspondingly. Higher education expenditures increase by \$15,000 annually in FY 2027 and 2028 and increase in future years to the extent that public four-year institutions of higher education or Baltimore City Community College (BCCC) must provide a match to receive program funds. Assumptions for this estimate are discussed below. **All program funding is discretionary.**

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$0	\$250,000	\$250,000	\$1,000,000	\$1,000,000
GF Expenditure	\$0	\$250,000	\$250,000	\$1,000,000	\$1,000,000
SF Expenditure	\$0	\$250,000	\$250,000	\$1,000,000	\$1,000,000
Higher Ed Exp.	\$0	\$15,000	\$15,000	-	-
Net Effect	\$0	(\$265,000)	(\$265,000)	(\$1,000,000)	(\$1,000,000)

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

Local Effect: Local revenues and expenditures increase to the extent that local community colleges are deemed eligible, apply for, and receive funding under the program – subject to a 10% matching requirement. This estimate assumes no effect on local finances until at least FY 2029.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: To qualify for a grant under the program, a project proposal must:

- support the creation of a new technology-based business in Maryland;
- advance technology toward commercialization of a product or service;
- foster entrepreneurial development at the eligible institution;
- create an opportunity for meaningful economic impact in the region around the eligible institution; or
- foster collaboration between the eligible institution and an industry partner, including (1) product development with commercialization potential and (2) matching funds provided by the industry partner.

MII must develop criteria to review, evaluate, and rate project proposals for funding under the program, and grants must be distributed to projects based on the criteria. MII must collaborate with an eligible institution to identify and support industry partnerships and commercialization opportunities.

The funding provided under the bill must supplement, not supplant, any funds that would otherwise be provided to MII.

By January 1, 2026, TEDCO must report to the Governor and the General Assembly on similar programs in neighboring states and the potential economic benefits and costs of expanding MII to all public and private nonprofit institutions of higher education operating in the State.

By July 1, 2028, TEDCO must include information on the program in its annual report to the General Assembly.

Current Law: Chapter 697 of 2021 established the MII University Partnership Pilot Program, with nearly identical provisions as the extension program established by the bill, except for the potential applicability to institutions other than BSU and FSU and a requirement for a \$50,000 annual contribution by BSU and FSU (rather than the 10% match requirement in this bill). The pilot program terminated June 30, 2024.

Maryland Innovation Initiative

Chapter 450 of 2012 established MII in TEDCO to promote technology transfer from Maryland's public and private nonprofit research institutions to the private sector. The initiative is authorized to provide grant funding or equity investment financing to a qualifying university, qualifying university-based entrepreneur, or other start-up entity to promote the commercialization of technology developed in whole or in part by a qualifying university.

Only qualifying universities may submit proposals for grant funding from the initiative. Eligible universities must contribute specified amounts each year (\$100,000 or \$200,000, depending on the university) to qualify for the program. The eligible universities are the Johns Hopkins University; the University of Maryland, Baltimore Campus; the University of Maryland, College Park Campus; Morgan State University; and the University of Maryland Baltimore County. Chapter 450 also established a special fund, MIIF, for the administration of the program, including receipt and distribution of contributions from eligible universities.

State Fiscal Effect: The bill does not mandate a level of funding for the extension program, although it does specify a discretionary funding level of \$250,000 annually in fiscal 2027 and 2028. The extension program is initially open to only BSU and FSU and may be expanded by MII to include any other public or private nonprofit institution of higher education in the State. There are currently 42 such institutions, including BSU and FSU: 13 public four-year institutions, 16 community colleges, and 13 private institutions. As such, costs for an expanded program under which any significant proportion of the State's nonprofit institutions of higher education are eligible would be significantly higher. TEDCO estimates \$100,000 to \$500,000 per year, per institution, would be an appropriate additional funding level, depending on the institution.

Given these considerations, to develop a reasonable approximation of expected funding for the extension program, this estimate assumes the following:

- no discretionary funding is provided in fiscal 2026;
- \$250,000 in discretionary funding is provided annually in fiscal 2027 and 2028, consistent with the discretionary funding level specified in the bill;
- TEDCO has administrative expenses of approximately \$100,000 annually in fiscal 2027 and 2028, based on that discretionary funding level, leaving \$150,000 for grants in each of those years;
- discretionary funding is only provided to BSU and FSU in fiscal 2027 and 2028;
- MII expands eligibility to a limited number of additional institutions beginning in fiscal 2029, and total discretionary funding increases to \$1.0 million annually;
- discretionary funding is provided in perpetuity, as the program itself is permanent;

- the required 10% cash match does not accrue to MIIF; and
- discretionary funding received for projects submitted by State institutions is not considered higher education revenues.

Accordingly, general fund expenditures increase by \$250,000 fiscal 2027 and 2028 and by \$1.0 million annually thereafter. Special fund revenues for MIIF increase correspondingly as funds are received and used to provide grants for eligible purposes and to pay TEDCO's administrative expenses.

Higher education expenditures increase by \$15,000 annually in fiscal 2027 and 2028 for BSU and FSU and increase in future years to the extent that public four-year institutions of higher education or BCCC must provide a match to receive program funds.

General fund expenditures may vary significantly from this estimate, depending on the number of institutions determined to be eligible under the bill by MII and the amount of discretionary funding provided.

TEDCO can complete the required report with existing budgeted resources.

Small Business Effect: Small businesses may benefit from projects funded under the extension program. Use of funds for the previous pilot program are detailed in TEDCO's [July 2024 report](#) on the program.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Technology Development Corporation; Department of Commerce; University System of Maryland; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2025
caw/ljm Third Reader - March 24, 2025
Revised - Amendment(s) - March 24, 2025

Analysis by: Stephen M. Ross

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