



TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 514 – MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE PROGRAM

FEBRUARY 20, 2020

The Maryland Technology Development Corporation (TEDCO) is dedicated to economic growth through the fostering of an inclusive entrepreneurial and innovation ecosystem. Recognizing the importance of federal facilities and their potential for economic development, TEDCO has long partnered with federal laboratories to encourage the commercialization of federal research. This includes the NIST-Science and Technology Entrepreneur Program and the FAST Grant – SBIR/STTR proposal lab.

In 2015, the Augustine Commission (the Maryland Economic Development and Business Climate Commission) found that the State needs to do more to capitalize on the federal presence in Maryland and the businesses that support and spin out of federal facilities. The State boasts over 15 billion in annual federal research funds. Maryland ranks 4th in SBIR awards (in Fiscal 2018); receiving approximately \$132.6 million. To benefit from its federal position, the commission specifically recommended that a matching grant program be created to support SBIR/STTR awardees. The commission heard testimony that such a program would allow companies to grow to the next stage of commercialization. House Bill 514 would deliver on this recommendation.

The proposed legislation creates an incentive for Maryland companies to seek federal funding through the SBIR/STTR program by providing matching grants to SBIR/STTR awards. This would enable Maryland to join 14 other states that offer this incentive. There are a number of benefits associated with Maryland companies seeking and ultimately receiving SBIR/STTR awards. SBIR/STTR awards bring new money into Maryland, often leveraging state funds provided through TEDCO investments. From the company's perspective, SBIR/STTR awards provide the additional funding needed to support critical business activities that cannot be sufficiently covered by SBIR/STTR funding due to federal limitations. SBIR/STTR funding is primarily limited to the proposed project; certain expenses critical to the growth of a company such as marketing and other operational expenses are not covered. SBIR/STTR funding allows a

company to further develop its core technology, which mitigates investment risk and better positions the company for an investment from TEDCO or other investors. Simply receiving an award through the SBIR/STTR peer review process, provides some validation to the company's technology and business model. Investors see this third-party validation as a positive attribute in considering a company for an investment. SBIR/STTR funding can contribute to an increase the value of a company without diluting the ownership interest of the founders. The additional funding provided by the legislation would foster stronger, more stable companies at their most formative state. For these reasons, TEDCO encourages a favorable report on HB 514.