

SB0639 - 02.23.21 -- Maryland Technology Developme

Uploaded by: Fry, Donald

Position: FAV



POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE FINANCE COMMITTEE

SENATE BILL 639 – Maryland Technology Development Corporation – Inclusion Fund – Establishment

Sponsor: Senator Augustine

February 23, 2021

DONALD C. FRY
PRESIDENT & CEO

GREATER BALTIMORE COMMITTEE

Position: Support

The Greater Baltimore Committee (GBC) supports Senate Bill 639 which would establish the Inclusion Fund in the Maryland Technology Development Corporation as a special, nonlapsing fund to provide capital and nonequity investments to certain qualified technology based businesses. To qualify for the investment a business would be required to:

- 1) Be owned and managed by economically disadvantaged individuals,
- 2) Be part of the Pre-Seed Builder Fund but have fallen below 51% economically disadvantaged ownership,
- 3) Have at least 30% but less than 51% economically disadvantaged ownership, and
- 4) Be minority owned.

Entrepreneurs are challenged to gain access to capital to start or grow their business. Since the late 1970s, startups as a percentage of American businesses, has dropped from 15 percent to eight percent.

According to the Minority Business Development Agency in the U.S. Department of Commerce, minority-owned firms are more likely to receive lower loan amounts, pay higher interest rates, or be denied funding altogether.

Minority businesses are disproportionately impacted by lack of access to capital. According to the Maryland Department of Commerce, Maryland is ranked seventh in the nation for percentage of minority owned firms. However, the percentage of minority owned firms sits just under 24 percent while the percentage of Marylanders who identify as minorities is 50 percent. These statistics reflect a need to implement more targeted policy initiatives that encourage robust investment in minority businesses.

By establishing an inclusion fund specifically designed to aid disadvantaged, minority owned technology based startups, Maryland will take an important step in establishing an equitable playing field for minority businesses who historically have been unable to access needed funding.

In the Greater Baltimore Committee report *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, eight core pillars were identified for a competitive business environment. One of these essential pillars is **strategic and effective investments in business growth**. Effective investment includes the removal of inequitable barriers that stunt the growth potential of certain types of businesses. Increasing access to capital for minority businesses is a strategic and effective investment that will result in business growth.

GREATER BALTIMORE COMMITTEE

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Senate Bill 639 also aligns with two of the key tenets of the GBC's *2021 Legislative Priorities*:

- **Advocacy for policy, funding, and regulatory solutions to accelerate economic recovery with an emphasis on support for small and minority-owned businesses.** Fostering the growth of new businesses that will provide jobs, increase tax revenue, and encourage consumer spending is one of the most effective ways to accelerate economic recovery.
- **Advocate for inclusive policies and programs that strengthen economic competitiveness and job creation.** A competitive economy is contingent upon equitable policy that affords minority businesses equal opportunities to participate in the Maryland economy.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 639.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

Johns Hopkins Testimony - SB 639-TEDCO -Inclusion

Uploaded by: Hafey, Elizabeth

Position: FAV

TO: The Honorable Delores Kelley, Chair
Senate Finance Committee

FROM: Elizabeth A. Hafey, Esq.
Associate Director, State Affairs

DATE: February 23, 2021

Johns Hopkins University and Medicine supports **SB 639 Maryland Technology Development Corporation – Inclusion Fund – Establishment**. This bill establishes the Inclusion Fund in TEDCO as a special, nonlapsing fund to provide capital and nonequity investments. The purpose of the Fund is to provide capital and nonequity to technology-based businesses that: 1) are owned and managed by individuals who are economically disadvantaged; 2) are part of the pre-seed builder fund but have fallen below 51% economically disadvantaged ownership; 3) have at least 30% but less than 51% economically disadvantaged ownership; and, are minority-owned.

Diversity and inclusion is a core value of Johns Hopkins. Indeed, we acknowledged and enlarged Johns Hopkins' role in advancing equity and inclusion, through the creation of the JHU Roadmap on Diversity and Inclusion. That takes an expansive approach to new programs and accountabilities to address the inequities faced by underrepresented and historically marginalized members of our community. We also launched HopkinsLocal, our Baltimore-based economic inclusion effort that has provided jobs for hundreds of Baltimore's citizens, and a series of public educational initiatives, and P-Tech for integrated high school community college and career support, among other community programs.

Additionally, the Social Innovation Lab (SIL) at the Johns Hopkins University supports innovative nonprofits, mission-driven companies, and disruptive technologies to create change and opportunity in Baltimore and beyond. Open to Baltimore-area changemakers – not limited to Johns Hopkins faculty, students, and staff – SIL provides social entrepreneurs the funding, mentorship, office space and workshops they need to develop into thriving, sustainable ventures that make a measurable impact. Each year, 10 teams are selected in a competitive application process. Since 2010, SIL has supported 103 startups, helping them raise \$67m in funding and employing nearly 300 people. These teams are, on average, 80% by entrepreneurs of color and over 50% led or co-led by female founders.

Johns Hopkins University and Medicine urges a **favorable report on SB 639 Maryland Technology Development Corporation – Inclusion Fund – Establishment**.

cc: Members of the Senate Finance Committee
Senator Malcolm Augustine

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Uploaded by: Kasemeyer, Pam

Position: FAV



MARYLAND TECH COUNCIL

TO: The Honorable Delores G. Kelley, Chair
Members, Senate Finance Committee
The Honorable Malcolm Augustine

FROM: Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman

DATE: February 23, 2021

RE: **SUPPORT** – Senate Bill 639 – *Maryland Technology Development Corporation – Inclusion Fund – Establishment*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **support** for Senate Bill 639.

Senate Bill 639 creates an Inclusion Fund within the Maryland Technology Development Corporation (TEDCO) for the purpose of providing capital and nonequity investments to minority owned businesses that are part of the pre-seed builder fund but have fallen below the 50% economically disadvantaged ownership. The bill does create a floor of 30% economically disadvantaged ownership to ensure the objectives of the pre-seed builder fund are maintained while still providing additional assistance to economically disadvantaged minority businesses that may be facing challenges in the maintenance of its ownership and management framework as it builds its business.

MTC is committed to supporting the growth of minority owned and managed life science and technology businesses in the State. The passage of Senate Bill 639 will provide the State with one additional tool to achieve that objective. A favorable report is requested.

For more information call:

Pamela Metz Kasemeyer
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410-244-7000

SB 639 testimony-Inclusion Fund -TEDCO.pdf

Uploaded by: LeMaile-Stovall, Troy

Position: FAV



**TESTIMONY PRESENTED TO THE
SENATE FINANCE COMMITTEE**

**SENATE BILL 639 –
MARYLAND TECHNOLOGY DEVELOPMENT
CORPORATION – INCLUSION FUND – ESTABLISHMENT**

POSITION: SUPPORT

FEBRUARY 23, 2021

The Maryland Technology Development Corporation (TEDCO) is dedicated to economic growth through the fostering of an inclusive entrepreneurial and innovation ecosystem. TEDCO discovers, invests in, and helps build great Maryland based technology companies. TEDCO has an obligation, both economic and moral, to create a more equitable entrepreneurial economy by providing investment opportunities and advisory services to not only create and sustain jobs, but also to expand wealth creation. And to expand wealth, we must tap into the creativity and ingenuity of Maryland's diverse population and its entrepreneurial ecosystem.

It is well documented that early-stage ventures founded by individuals from socially and economically disadvantaged groups lack access to funding. A 2017 *Pitchbook* study reveals that of the \$40 billion in venture funds raised that year, less than 3% was used to fund entities started by economically disadvantaged individuals. The study further showed that startups founded by a black man had less than a 1% chance of being funded, whereas for a black woman the chances of funding was 0.2%. Due to the significant and growing wealth gap, economically disadvantaged individuals have fewer opportunities to leverage friends & family and lack the access to personal credit lines to provide pre-seed/startup funding. Therefore, many of these entrepreneurs resort to bank debt, which has less than a 20% chance of being approved and the lack of revenues creates repayment issues.

TEDCO's Builder Fund, established in 2018, is designed to provide pre-seed funding and advisory services to very early-stage technology companies founded by economically disadvantaged entrepreneurs. A measure of success for the program is the ability of participating companies to raise subsequent rounds of capital. In just a few years, the companies that have participated in the Builder fund have gone on to raise over \$7 million in seed and venture investment capital. While this is a great success, a common effect of this success is the dilution of ownership share for the economically disadvantaged founder. Senate Bill 639 would provide

an option for those companies to continue to grow as minority founded and minority led companies. The Report of the Senate President’s Workgroup on Equity and Inclusion recommends the creation of an “Inclusion Fund” to “allow companies to raise non-State capital while still supporting them with State funds”. TEDCO also offers the Rural Business Innovation Initiative and is soon launching the Urban Business Innovation Initiative – both programs designed to reach underserved communities by providing pre-seed funding and advisory services. With the Inclusion Fund created by Senate Bill 639, TEDCO will have a comprehensive set of tools to address the wealth gap in the entrepreneur ecosystem.

TEDCO respectfully encourages a favorable report on Senate Bill 639.