

Del D. Barnes HB 1211, Testimony.pdf

Uploaded by: Barnes, Darryl

Position: FAV

DELEGATE DARRYL BARNES
Legislative District 25
Prince George's County

DEPUTY MAJORITY WHIP

Ways and Means Committee

Subcommittees

Chair, Local Revenues

Revenues

Racing and Gaming

Chair

Legislative Black Caucus of Maryland



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 26, 2021

**Testimony of Delegate Darryl Barnes in Support of HB 1211
Economic Development – Maryland Technology Development Corporation – Pre-Seed
Builder Fund**

Dear Chair Kaiser, Vice-Chairman Washington, and Members of the Ways and Means Committee:

HB 1211 invests in and provides executive support to Maryland-based technology companies run by entrepreneurs who demonstrate economic disadvantage. The Builder Fund invests with the goal of helping companies reach meaningful milestones and becoming attractive investments to larger institutional investors. The main purpose of the fund is to support the development of start-up companies run by entrepreneurs from disadvantaged backgrounds who have historically lacked access to traditional forms of capital and executive networks at the pre-seed stage.

The passage of HB 1211 serves as a vehicle to help achieve that goal by providing substantial funding and a framework to make the goal feasible. It is well understood that the impact of the COVID-19 pandemic on our state's economy has created budget challenges. Despite these challenges, we should not be stagnated from taking action on this very important bill.

Startup ecosystems are the key to growing a vibrant state economy. Time and time again, these clusters of talent and science drive job creation, new business formation, and attract investment capital. Time and time again, we have seen our economically disadvantaged tech entrepreneurs be overlooked in the process. Ultimately, these are the elusive ingredients that lead to greater prosperity and equity in our communities.

HB 1211 is necessary to support and enable Maryland-based technology companies run by entrepreneurs who demonstrate economic disadvantages the resources to mobilize their companies for the greater good of all Marylanders. For all these reasons, **we urge a favorable report on HB 1211.**

Sincerely,

Darryl Barnes

Darryl L. Barnes

HB1211 - 02.26.21--Economic Development-TEDCO- Pre

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POSITION STATEMENT

TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 1211 - ECONOMIC DEVELOPMENT – MARYLAND TECHNOLOGY
DEVELOPMENT CORPORATION – PRE-SEED BUILDER FUND

Sponsor – Delegate Darryl Barnes

February 26, 2021

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Support

The Greater Baltimore Committee (GBC) supports House Bill 1211 which establishes the Pre-Seed Builder Fund in the Maryland Technology Development Corporation (TEDCO) as a special, nonlapsing fund to support 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.

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. Other studies show that less than one percent of venture capital funding goes to minority founders annually.

Minority businesses in Maryland 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 a Pre-Seed Builder Fund in TEDCO specifically designed to aid entrepreneurs from socially or economically disadvantaged backgrounds, 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**. Strategic and 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.

House Bill 1211 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.

GREATER BALTIMORE COMMITTEE

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- **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 House Bill 1211.

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.

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MARYLAND TECH COUNCIL

TO: The Honorable Anne R. Kaiser, Chair
Members, House Ways and Means Committee
The Honorable Darryl Barnes

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

DATE: February 26, 2021

RE: **SUPPORT** – House Bill 1211 – *Economic Development – Maryland Technology Development Corporation – Pre-Seed Builder Fund*

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 House Bill 1211.

House Bill 1211 creates a Pre-Seed Builder Fund under the Maryland Technology Development Corporation to support 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. MTC is committed to supporting the growth of life science and technology businesses in the State and strongly supports the State's commitment to address challenges faced by entrepreneurs due to socioeconomic status limitations. The passage of Senate Bill 1211 will provide funding and a framework to achieve that objective. A favorable report is requested.

For more information call:

Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
410-244-7000

HB 1211 - Builder Fund -TEDCO.pdf

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Position: FAV



**TESTIMONY PRESENTED TO THE
HOUSE WAYS AND MEANS COMMITTEE**

**HOUSE BILL 1211 –
ECONOMIC DEVELOPMENT – MARYLAND TECHNOLOGY
DEVELOPMENT CORPORATION – PRE-SEED BUILDER
FUND**

POSITION: SUPPORT

FEBRUARY 26, 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.

House Bill 1211 would codify TEDCO's Builder Fund, established in 2018, which was designed to provide pre-seed funding and advisory services to very early-stage technology companies founded by economically disadvantaged entrepreneurs. The Builder Fund invests with the goal of helping companies reach meaningful milestones and becoming attractive investments to larger institutional investors. Since its inception, and with limited funding, TEDCO has invested in 17 companies and has provided over 3,000 hours of executive coaching and peer to peer

collaboration. This includes companies like: JuneBrain of Montgomery County which is developing a wearable headset to help neurologists remotely track Multiple Sclerosis flare-ups; Emergency Medical Innovation of Howard County which is developing a patented nosebleed treatment device; ClearMask of Baltimore City which produces and sells FDA-approved fully transparent medical face masks; and IPGen of Prince George's County which is developing a patented software service which predicts whether a claim will be allowed by an examiner at the patent office. To date, 6 of our Builder companies have gone on to raise over \$7 million in seed and venture capital.

House Bill 1211 would give TEDCO the tools necessary to expand this successful program. The demand for funding from the Builder program far exceeds current funding levels. For example, in fiscal 2020, the program received 40 applications, but could only fund 7 companies. Addressing this gap in demand will allow the program to make meaningful steps toward a more equitable innovation economy and wealth expansion for all Marylanders.

For these reasons, TEDCO encourages a favorable report on House Bill 1211.

HB 1211 TEDCO-Pre-Seed Building Fund (D. Barnes) W

Uploaded by: Wilkins, Barbara

Position: INFO



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

HOUSE BILL 1211 Economic Development - Maryland Technology Development Corporation - Pre-Seed Builder Fund (D. Barnes)

STATEMENT OF INFORMATION

DATE: February 26, 2021

COMMITTEE: House Ways & Means

SUMMARY OF BILL: HB 1211 mandates an appropriation in the amount of \$5 million in FY 2023, \$6.2 million in FY 2024, and \$7.5 million in FY 2025 and annually thereafter to a Pre-Seed Builder Fund in TEDCO. The Fund supports the development of start-ups run by entrepreneurs from socially or economically disadvantaged backgrounds whose access to traditional forms of capital and executive networks at the pre-seed stage have otherwise been funded.

EXPLANATION: The Pre-Seed Builder Fund in TEDCO has been funded in the amount of \$1 million in FY 2020 through FY 2022.

The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the mandated increase in funding for this program.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which requires spending allocations for FY 2022 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2020.

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. Federal stimulus programs are providing much needed relief, but the impact of the COVID-19 pandemic continues to present a significant budgetary vulnerability.

The General Assembly and Administration have successfully enacted the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (SB 496 RELIEF Act), which provides \$1.2 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic. It is incumbent upon us to allow the impact of this unprecedented relief package on the State's economy to take effect. Further mandated spending increases need to be reevaluated within the context of an ongoing pandemic.

**For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov**