



**Maryland**

DEPARTMENT OF BUDGET  
AND MANAGEMENT

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MARC L. NICOLE  
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## **SB 699 Maryland Technology Development Corporation – Equitech Growth Fund and Commission**

### **STATEMENT OF INFORMATION**

**DATE: March 7, 2023**

**COMMITTEE: Finance**

**SUMMARY OF BILL:** HB 781/SB 699 establishes the “Maryland Equitech Growth Fund” (the Fund) to be administered by the Maryland Technology Development Corporation (TEDCO). The Equitech Growth Fund is a special, non-lapsing fund through which TEDCO shall provide financial assistance to support inclusive growth within emerging and advanced industries through the creation of supportive infrastructure assets and a diverse workforce. The bill includes a \$250 million funding mandate between FY 2024 and FY 2028; the Governor may appropriate up to an additional \$250 million over FYs 2029 through 2033. Finally, the proposal establishes an “Equitech Growth Fund Commission” to develop a long-term strategic plan with 10-year goals for advancing Maryland’s innovation economy.

**EXPLANATION:** The measure stems from a 2023 Joint Chairman’s Report request directing TEDCO to perform an assessment of Maryland’s competitiveness in cyber, biohealth, and advanced and emerging technologies with a focus on minority participation in these industries. Additionally, the JCR requests recommendations to establish a fund that increases minority representation in the advanced technologies sector. The subsequent proposal directs TEDCO to award grants, investments, loans, and other financial assistance to public, non-profit, or private entities, including institutions of higher education and public-private partnerships in support of this objective. Beyond State appropriations, the Fund must also leverage investment from the private sector and federal sources.

The bill’s funding mandate directs the Governor to appropriate \$15 million in FY 2024 for awards, while requiring additional rounds of funding in future years: \$30 million in FY 2025, \$55 million in FY 2026, and \$75 million in both FY 2027 and 2028. While not mandated, the Governor may also include an additional \$250 million over the following five fiscal years (2029-2033). Total appropriations to the Fund may exceed \$500 million including the \$1 million currently proposed in the Governor’s Allowance.

In addition to submitting annual reports detailing awards from the Fund, TEDCO must also develop a competitive application process and criteria for making awards, monitor each project to assess level of success and economic effects as well as outcomes for the State’s diversity, equity, and inclusion goals. Awards from the fund must align with a set of 10-year goals developed by the Equitech Growth Fund Commission. Members of the Commission must develop a long-term strategic plan in addition to these goals by July 1, 2025. This plan must also include proposed approaches to increase participation of

communities in the innovation economy, create pathways for high-paying jobs, and to increase and expand wealth in minority communities. Depending on when the Commission finalizes its strategy and goals, the Governor may be obligated to appropriate upwards of \$100 million to the Fund before the strategy is available to guide awards.

Beyond the estimated fiscal cost and commitment to capitalizing a program before its core strategy is developed, DBM has the following concerns:

- Programs with a similar goal of building a diverse workforce exist within TEDCO and the Maryland Department of Commerce. For example, the Small, Minority, and Women-Owned Business Account assists minority and women-owned businesses access capital and is estimated to receive at least \$20 million annually beginning in FY 2024. TEDCO’s Minority Pre-Seed Investment fund – which is mandated to receive \$6.2 million in FY 2024 and \$7.5 million annually beginning in FY 2025 – supports investments in emerging technology companies led by entrepreneurs who demonstrate a socially or economically disadvantaged background. The Inclusion Fund supports economically disadvantaged individuals from technology-based companies through capital and nonequity investments. Other programs that support the technology sector include the Biotechnology Investment Tax Credit, the Innovation Investment Incentive Tax Credit, and the Maryland Innovation Initiative.
- Because the proposal relies on a future, undeveloped strategy and goals to guide awards, it is impossible to determine if TEDCO or the State will be able to assess any measurable progress towards increasing diversity in the State’s technology industry. Without targeted and timely goals and clear benchmarks against which these goals can be evaluated, it is unclear whether the scale and type of investment appropriately addresses existing economic development needs.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. In light of current economic uncertainty and the potential for a downturn, the Department urges caution in passing legislation significantly expanding State required expenditures without offsetting revenues. General fund mandates can have the effect of crowding out the State’s ability to fund staffing, salary adjustments, and in general invest strategically and holistically in State government’s human capital and the infrastructure required to carry out State government’s mission. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

**General Fund Structural Budget Outlook, Fiscal 2024 – 2028 (\$ millions)**

	<b>Est. 2024</b>	<b>Est. 20235</b>	<b>Est. 2026</b>	<b>Est. 2027</b>	<b>Est. 2028</b>
<b>Structural Balance</b>	\$337	\$232	\$263	\$529	\$1,113
<b>Adjusted for Blueprint</b>				-\$963	-\$1,207

Department of Legislative Services, January 2023 Fiscal Briefing

For additional information, contact Marc Nicole at (410) 260-7288 or marc.nicole@maryland.gov