



**TESTIMONY PRESENTED TO THE
SENATE FINANCE COMMITTEE**

**SENATE BILL – 302
ECONOMIC DEVELOPMENT –
MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND TECHNOLOGY
TRANSFER INCENTIVE PROGRAM - ALTERATIONS**

POSITION: SUPPORT

FEBRUARY 13, 2025

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 supports Senate Bill 302, Economic Development – Maryland Small Business Innovation Research and Technology Transfer Incentive Program – Alterations, and thanks the bill sponsor, Senator Lam, for his leadership on this important issue. Senate Bill 302 makes some modifications to the Maryland Small Business Innovation Research and Technology Transfer Incentive Program (Chapter 8 of 2021) to give TEDCO more flexibility in administering the program to better meet the needs of small businesses in our state.

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs, also known as America’s Seed Funds, are federal programs that provide technology-focused entrepreneurs, startups, and small businesses with two phases of funding (Phase I and Phase II) to develop their ideas and create a pathway to commercialization. In 2023 (complete data for 2024 is not yet available), Maryland companies received 209 federal SBIR/STTR awards for a total of \$161.5 million (SBIR.gov). This capital is critical for advancing product development in small, technology-based businesses without diluting the entrepreneur’s ownership of their company.

Because this program is so impactful to small businesses and the communities in which they reside, many states have developed incentive programs that provide matching funds to SBIR/STTR awardees. States with matching programs include Virginia, West Virginia, Tennessee, South Carolina, New Jersey, Michigan, Massachusetts, and many others (based on a 2020 report). The Maryland Small Business Innovation Research and Technology Transfer Incentive Program gives Maryland the ability to compete with these other states by providing a similar incentive program. In addition to the incentive that encourages companies to pursue

SBIR/STTR grants and bring federal money into the state, matching programs provide funding for general business expenses, such as marketing and business development, that are not covered by SBIR/STTR grants but are crucial for a business's stability and growth.

Enacted in 2021 and administered by TEDCO, the Maryland Small Business Innovation Research and Technology Transfer (SBIR/STTR) Incentive Program gives eligible small business the opportunity to apply for an award or investment in the amount of 25% of an SBIR/STTR grant, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. As stipulated in the legislation, TEDCO may make up to 20 Phase I distributions and 10 Phase II distributions per fiscal year. A special fund structure was established for the administration of the program; however, no funding was provided until FY25, under the Governor Moore Administration. This program is funded at \$1.33 million for FY25.

SB302 removes the caps on the funding amounts for Phase I and Phase II awards and the caps on the number of distributions for Phase I and Phase II. TEDCO supports this change to provide the flexibility needed to address potential increases in funding for the program in future years and to address better the needs of small businesses over time. If, for example, additional funding became available for the program in future years, TEDCO could not distribute that funding to companies due to the caps in the amount and numbers of awards. Additionally, if, for example, demand for Phase I awards far exceeds demand for Phase II awards, TEDCO would be unable to award more than 20 Phase I grants due to the statutory caps, even if it had sufficient funds due to lower demand for Phase II grants.

SB302 also limits the number of awards that any one company can receive during a fiscal year. This prevents abuse of the incentive program by companies that pursue multiple SBIR/STTR grants. SB 302 does not change the overall funding amount, which continues to be a discretionary budget item to be set annually by the Governor and Maryland General Assembly.

For all these reasons, **TEDCO is supportive of SB 302 and requests a favorable report.**