

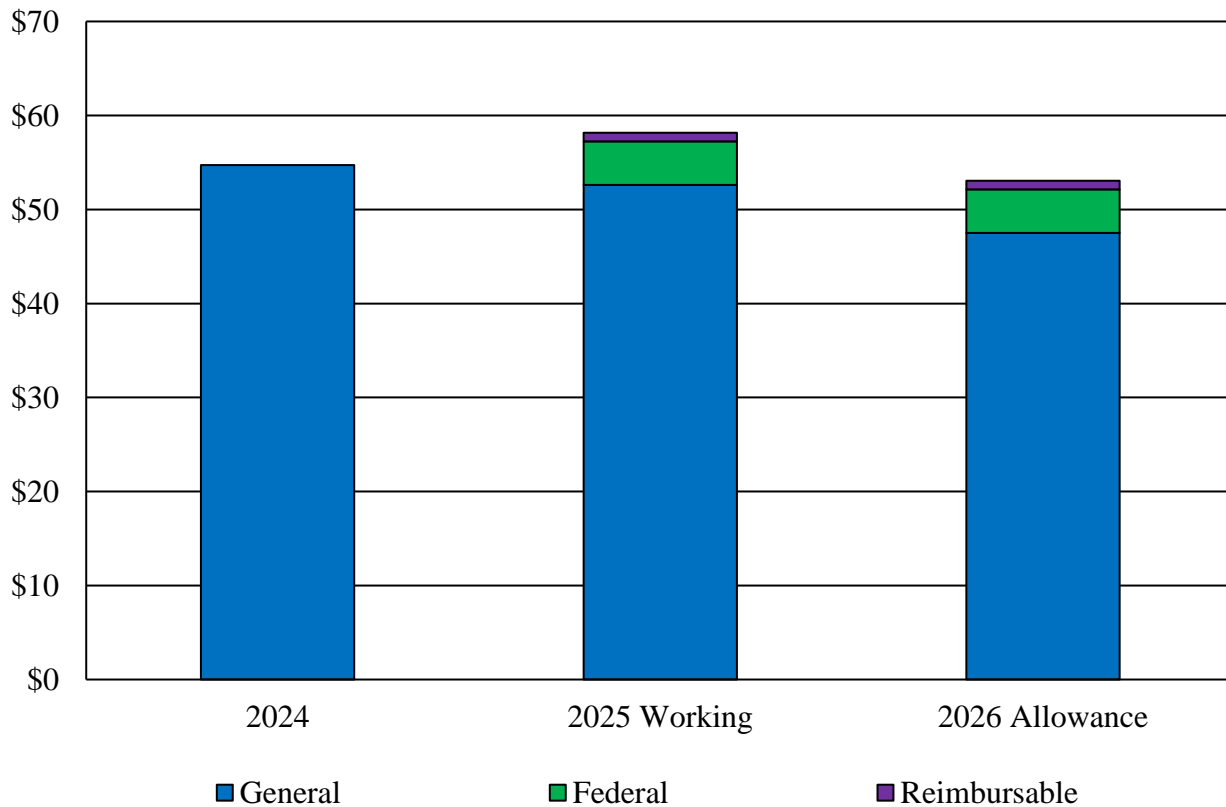
T50T01
Maryland Technology Development Corporation

Program Description

The Maryland Technology Development Corporation (TEDCO) was launched in 1998 with the mission to provide early investment and to help build Maryland-based technology companies. TEDCO also aims to help commercialize the results of scientific research and development conducted by higher education institutions, federal laboratories, and private-sector organizations. TEDCO supports stem cell research and development at Maryland’s research universities and private-sector research corporations in accordance with the Maryland Stem Cell Research Act.

Operating Budget Summary

Fiscal 2026 Budget Decreases \$5.1 Million, or 8.8%, to \$53.1 Million
(\$ in Millions)



Note: The fiscal 2026 allowance includes contingent reductions.

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Fiscal 2025

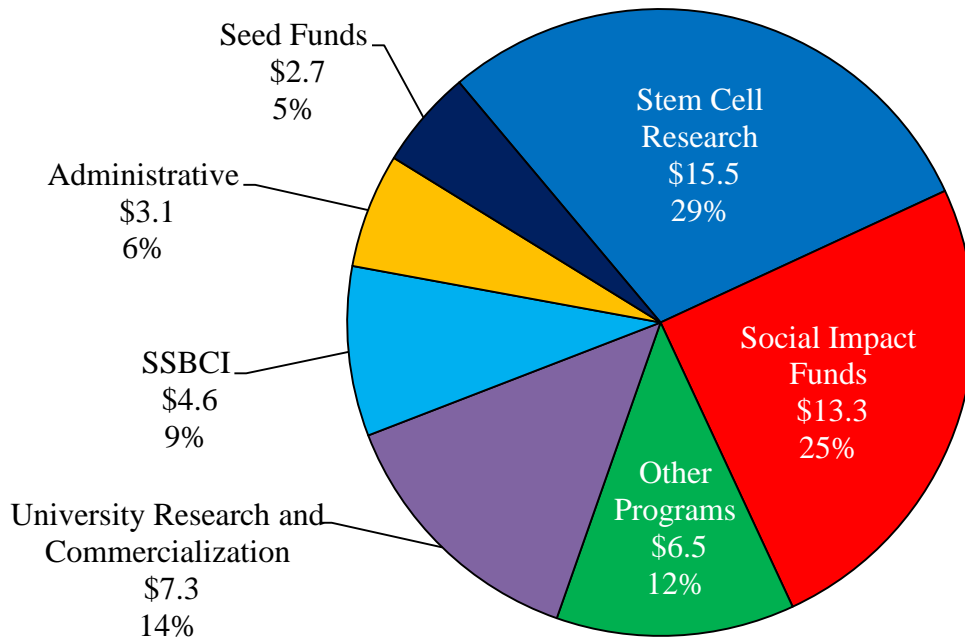
Cost Containment

The Board of Public Works (BPW) reduced funding for the Minority Pre-Seed Investment Fund, also called the Builder Fund, by \$325,000 in fiscal 2025. The reduction does not continue in the fiscal 2026 allowance.

Fiscal 2026 Overview of Agency Spending

While TEDCO's budget is provided as a grant, the corporation provides annual budget detail. The largest program by funding level is the Maryland Stem Cell Research Fund (MSCRF), which receives \$15.5 million in the fiscal 2026 allowance, a \$5 million decrease from the fiscal 2025 working appropriation. The MSCRF is discussed further in the Key Observations section. TEDCO has 38 full-time employees, plus an additional employee expected to start work in February 2025 as well as 1 part-time intern. The corporation's employees are not State employees, and so personnel data is not provided in the analysis. An overview of TEDCO's fiscal 2026 allowance is shown in **Exhibit 1**.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



SSBCI: State Small Business Credit Initiative

Note: The fiscal 2026 allowance includes contingent reductions. Numbers may not sum to total due to rounding.

Source: Governor’s Fiscal 2026 Budget Books

Social Impact and Seed Funds

TEDCO’s social impact funds aim to provide investments and mentorship for companies run by individuals with socially or economically disadvantaged backgrounds. These three programs – the Minority Pre-Seed Investment Fund, the Inclusion Fund, and the Maryland Equitech Growth Fund – collectively receive \$13.3 million and account for 25% of TEDCO’s fiscal 2026 allowance.

The Minority Pre-Seed Investment Fund receives \$7.5 million in the fiscal 2026 allowance. This fund provides investments for startup technology companies led by entrepreneurs from socially or economically disadvantaged backgrounds at the pre-seed stage. The Inclusion Fund, which receives \$750,000, provides investments to technology companies owned or managed by economically disadvantaged individuals at the seed stage.

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The Equitech Growth Fund, established by Chapters 461 and 462 of 2023, awards grants, investments, loans, and other financial assistance to target workforce development and infrastructure to attract and retain businesses. The Equitech Growth Commission oversees the fund and is tasked with developing a long-term strategic plan by July 1, 2025. The fiscal 2026 allowance includes \$5 million for the fund; the Governor is required to include \$5 million for the fund annually through fiscal 2033. The fund made its first round of awards in December 2024, distributing \$6.9 million to 14 projects in the State. The initial funding opportunity from which awardees were selected attracted 75 applicants.

TEDCO's seed funds, which invest in Maryland startup businesses and collectively receive \$2.7 million, are the Second-Stage Business Incubator, or the Gap Investment Fund (\$1 million); the Cybersecurity Investment Fund (\$900,000); and the Life Science Investment Fund (\$800,000).

University Research and Commercialization

The Maryland Innovation Initiative (MII) supports technology commercialization efforts and provides company formation investments at higher education institutions. It receives \$6.8 million in the fiscal 2026 allowance, including \$1.5 million in mandated funding for the Baltimore Innovation Initiative (BII) pilot program. Five institutions are eligible to participate in MII, and 20 higher education institutions in the Baltimore area are eligible for BII. BII was established by Chapter 711 of 2024 to expand the MII program's strategies to additional institutions, with a focus on products or services aimed at integrating artificial intelligence or machine learning in health care and biotechnology.

Chapter 711 also established the Pava LaPere Innovation Acceleration Grant Program, which provides awards to companies in the Baltimore-Columbia-Towson metropolitan statistical area that have been founded by students or faculty of postsecondary institutions in that area. It receives \$500,000 in the fiscal 2026 allowance. The program is currently in its first year and announced its first round of nine awards in January 2025.

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2026 allowance for TEDCO decreases by \$5.1 million compared to the fiscal 2025 working appropriation. Most of the decrease is due to a \$5 million reduction in funding to the MSCRF compared to the fiscal 2025 appropriation. Funds for the Cyber Maryland program also decrease. Chapter 509 of 2024 mandated that the Governor provide \$99,000 to Cyber Maryland annually for talent pipeline management. The fiscal 2026 allowance provides \$99,000 but eliminates that funding contingent on the enactment of SB 241/HB 82, which would transfer the program to the Maryland Department of Labor (MD Labor). The allowance also restores the mandated funding level for the Minority Pre-Seed Investment Fund that was reduced by BPW in fiscal 2025.

Exhibit 2
Proposed Budget
Maryland Technology Development Corporation
(\$ in Thousands)

How Much It Grows:	General <u>Fund</u>	Federal <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$54,716	\$0	\$0	\$54,716
Fiscal 2025 Working Appropriation	52,611	4,646	915	58,172
Fiscal 2026 Allowance	<u>47,496</u>	<u>4,646</u>	<u>915</u>	<u>53,057</u>
Fiscal 2025-2026 Amount Change	-\$5,115	\$0	\$0	-\$5,115
Fiscal 2025-2026 Percent Change	-9.7%			-8.8%
 Where It Goes:				<u>Change</u>
Changes				
Fiscal 2025 cost-containment reduction to the Builder Fund restored in the fiscal 2026 allowance				\$325
Cyber Maryland funding eliminated contingent on legislation transferring the program to the Maryland Department of Labor				-99
Decrease in Cyber Maryland funding to \$99,000, the minimum funding level mandated by Chapter 509 of 2024				-341
Decrease in funding to the Maryland Stem Cell Research Fund.....				-5,000
Total				-\$5,115

Note: The fiscal 2026 allowance includes contingent reductions. Numbers may not sum to total due to rounding.

Cyber Maryland

Chapter 578 of 2023 established the Cyber Maryland program within TEDCO to reduce vacancies in Maryland’s cybersecurity workforce by July 1, 2026, by researching and supporting workforce development and training, facilitating partnerships to address workforce needs, and developing a statewide strategic plan for cybersecurity workforce development. The Act established a Cyber Maryland board and the Cyber Maryland Fund. Cyber Maryland received \$690,000 in fiscal 2024 and \$440,000 in fiscal 2025. Chapter 509 of 2024 mandated that the Governor include \$99,000 in the allowance annually for talent pipeline management.

SB 241/HB 82 would move Cyber Maryland from TEDCO to MD Labor. Language in the budget bill reduces funding for TEDCO by \$99,000 contingent upon the enactment of legislation moving Cyber Maryland from TEDCO to MD Labor.

Key Observations

1. Maryland Stem Cell Research Fund

The MSCRF was established by Chapter 19 of 2006 to promote stem cell research and cures through grants and loans to public and private entities in the State. Through calendar 2024, the fund had awarded nearly \$213 million in grants across 654 projects.

Funding History

The MSCRF has received \$241.9 million in State funds over its lifetime from fiscal 2007 through 2025, primarily in general funds. While the MSCRF has no mandated funding, annual funding has varied between \$8.2 million and \$23.0 million per fiscal year.

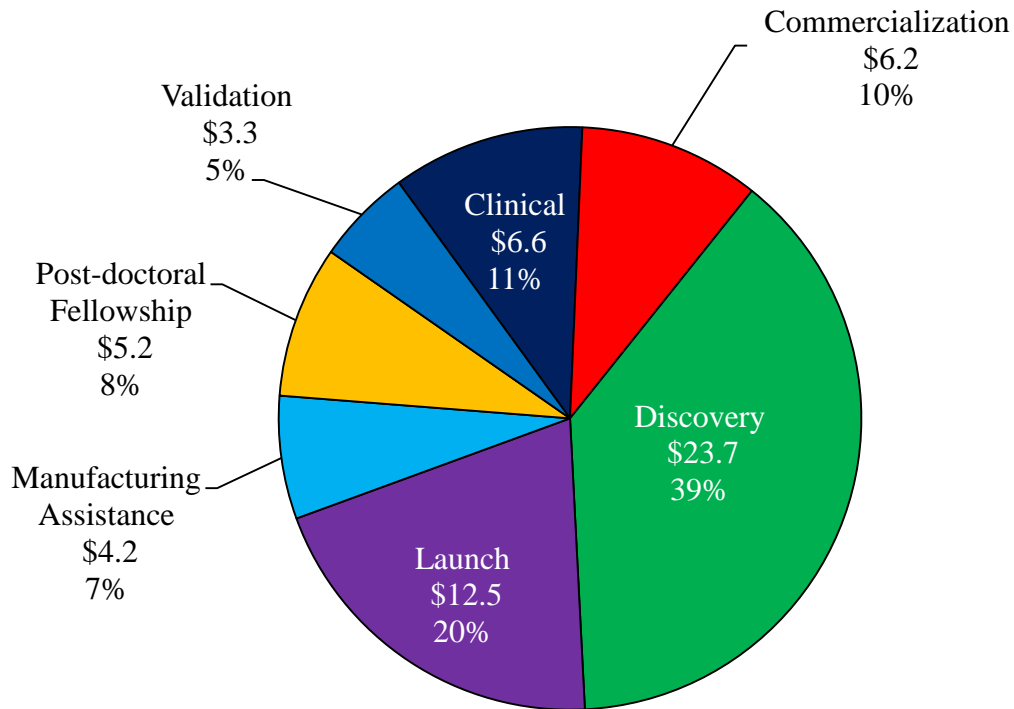
Funds not awarded in the fiscal year remain in a special fund and may be used in a future awards cycle. Funds from the MSCRF may also be used for administration. For fiscal 2020 through 2024, the MSCRF received \$65.6 million in appropriations and awarded just under \$61.7 million in grant funding, or 94% of the appropriated amount. TEDCO reports that 75% of companies that have received MSCRF funding are still in existence as of fiscal 2025, and all but three are based in Maryland so far. The three out-of-state recipients were clinical grantees, who must conduct their MSCRF-supported research within the State and provide matching funds.

The MSCRF is overseen by the 15-member Stem Cell Research Commission, appointed to two-year terms as set out in statute. The commission establishes criteria for grants, conducts oversight of grant awards and grantee performance, and oversees the MSCRF budget and operations. A team of peer reviewers from outside the State evaluates grant applications for scientific merit. The program also has 3 staff members.

Grant Categories Expanded

The MSCRF began with three grant categories in 2007 and has since expanded to seven, most recently adding grants for manufacturing assistance beginning in fiscal 2023. **Exhibit 3** shows how the \$61.7 million of grant funding awarded from fiscal 2020 through 2024 was distributed in each of the seven current grant categories.

Exhibit 3
Funding by MSCRF Grant Program
Fiscal 2020-2024
(\$ in Millions)



MSCRF: Maryland Stem Cell Research Fund

Source: Maryland Technology Development Corporation

Discovery grants, which are awarded to faculty at Maryland-based universities or private research institutes outside of government or university settings, accounted for 39% of the spending from fiscal 2020 to 2024. All of the 69 grants made in this category went to researchers at Johns Hopkins University (47 grants); the University of Maryland Baltimore (20 grants); and the University of Maryland, College Park (2 grants).

The MSCRF began awarding Manufacturing Assistance grants in fiscal 2023 for organizations seeking to advance production of stem cell therapy products in the State. These grants require organizations to secure a one-to-one match of non-State funding. In the first

two years of the grant’s availability, the MSCRF awarded a total of \$3.2 million in Manufacturing Assistance grants.

Most grants are only open to companies and organizations within Maryland. Clinical grants are open to organizations located outside of Maryland, provided that the clinical trials being supported take place within the State. In fiscal 2025, the program opened applications for commercialization grants to companies outside of Maryland as well, provided that the research and development funded by the MSCRF is done within the State. Program leaders hope that funding and interaction with the stem cell research field in Maryland will eventually lead out-of-state companies to locate in Maryland.

Future of the Program

The statute establishing the MSCRF allows for the program to make both grants and loans, but so far, the program has only offered grants. MSCRF staff indicate that grants are especially important for the types of early-stage, high-risk technologies funded through the program. Unlike some of TEDCO’s programs that make investments in early-stage companies that can generate returns, the MSCRF does not have the ability to invest in companies and would require a change to the statute in order to do so. The MSCRF would also have to qualify as an accredited investor under federal law.

While loans may not make sense for early-stage companies, loans for more established companies may be appropriate as the stem cell field continues to mature. **TEDCO should comment on the possibility of offering loans to later-stage companies, especially if it continues to expand its manufacturing awards.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- ***Human-Relevant Research Fund:*** TEDCO receives \$915,000 in reimbursable funds in the fiscal 2026 allowance from the Maryland Department of Health (MDH) for the Human-Relevant Research Fund, established by Chapter 448 of 2023 to support the development of alternatives to using animals in medical and product testing and research. Chapter 448 established an annual fee, which is collected by MDH, on Maryland research facilities conducting research with nonhuman animals. TEDCO was appropriated \$915,000 for the program in fiscal 2025. The program is in its first year of funding, and TEDCO reports that it is still in the process of developing the program and getting funding transferred from MDH.
- ***Baltimore Tech Hub Consortium:*** The consortium receives \$1 million in the fiscal 2026 allowance, the same level of funding as in fiscal 2025. The Baltimore Tech Hub Consortium was established to compete for federal funding through the U.S. Economic Development Administration’s Tech Hubs Program. The consortium was not selected for phase 2 of the program in July 2024 but expects to apply for federal funding in the future.

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that TEDCO prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Companies That TEDCO Has Invested In:*** The JCR requested a report on companies that TEDCO has invested in over the past 10 years, including names and amounts of investments, employment numbers, operational status of the companies, and company valuations. TEDCO reported that not all the requested data was available for all companies but provided a list of companies by year and program along with as much information as was available. From fiscal 2014 through 2024, TEDCO reported more than \$115 million of invested capital.

Appendix 2
TEDCO Budget Detail
Fiscal 2024-2026 Allowance
(\$ in Thousands)

	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Working</u>	<u>2026</u> <u>Allowance</u>	<u>2025-2026</u> <u>Change</u>
General Funds				
Operations				
Salaries and Wages	\$2,534	\$2,550	\$2,550	\$0
Contractual Services	437	400	400	0
Equipment	15	25	25	0
Other Operating Costs	151	161	161	0
Subtotal	\$3,136	\$3,136	\$3,136	\$0
Programs				
Life Science Investment Fund	\$800	\$800	\$800	\$0
Maryland Industrial Partnerships	300	300	300	0
Rural Business Innovation	640	640	640	0
Pava La Pere Innovation Acceleration Grant	0	500	500	0
SBIR and STTR Incentives	0	1,330	1,330	0
SBIR and STTR Technical Assistance	0	500	500	0
Upsurge-UpRise	0	840	840	0
Baltimore Tech Hub Consortium	0	1,000	1,000	0
Cyber MD Program	690	440	0	-440
Maryland Stem Cell Research Fund	20,500	20,500	15,500	-5,000
Maryland Innovation Initiative	5,300	6,800	6,800	0
Cybersecurity Investment Fund	900	900	900	0
Gap Investment Fund (Second Stage Business Incubator)	1,000	1,000	1,000	0
Minority Pre-Seed Investment Fund	6,200	7,175	7,500	325
Maryland Innovation Initiative University Pilot Program	500	0	0	0
Inclusion Fund	750	750	750	0
Maryland Makerspace Initiative Program	1,000	1,000	1,000	0
Maryland Equity Investment Fund	10,000	0	0	0
Maryland Equitech Growth Fund	3,000	5,000	5,000	0
Subtotal	\$51,580	\$49,475	\$44,360	-\$5,115
General Fund Total	\$54,716	\$52,611	\$47,496	-\$5,115

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	2024	2025	2026	2025-2026
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Reimbursable and Federal Funds				
Human-Relevant Research Fund	\$0	\$915	\$915	\$0
State Small Business Credit Initiative	0	4,646	4,646	0
Reimbursable and Federal Fund Total	\$0	\$5,561	\$5,561	\$0
Grand Total	\$54,716	\$58,172	\$53,057	-\$5,115

SBIR: Small Business Innovative Research
 STTR: Small Business Technology Transfer
 TEDCO: Maryland Technology Development Corporation

Note: Numbers may not sum to total due to rounding. The fiscal 2026 allowance includes contingent reductions.

Source: Governor’s Fiscal 2026 Budget Books

Appendix 3
Maryland Venture Fund (Enterprise Investment Fund)
Fiscal 2024-2026 Est.
(\$ in Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Beginning Balance	\$7,749	\$3,879	\$2,257	\$1,017
Current Restricted Revenue				
InvestMaryland Account Funds	\$5,150	\$4,891	\$1,000	\$1,000
InvestMaryland Returns	855	347	600	600
Interest Income on Balance	15	1,031	1,000	1,000
SSBCI Distributions	11,679	4,858	4,646	4,646
Total Restricted Revenue	\$17,699	\$11,128	\$7,246	\$7,246
Current Unrestricted Revenue				
Enterprise Investment Earnings	\$171	\$4	\$100	\$100
Total Unrestricted Revenue	\$171	\$4	\$100	\$100
Total Funds Available	\$7,920	\$3,883	\$2,357	\$1,117
Expenditures/Encumbrances				
Enterprise Investments/Grants Encumbrance	\$1,550	\$0	\$0	\$0
InvestMaryland – VC Investments	266	118	90	40
Operating Expenses	1,586	870	750	750
Indirect Expenses	639	638	500	500
InvestMaryland – Direct Investments	5,150	4,891	1,000	1,000
SSBCI Activity	11,679	4,858	4,646	4,646
Total Expenditures/Encumbrances	\$20,870	\$11,375	\$6,986	\$6,936
Ending Balance	\$3,879	\$2,257	\$1,017	-\$173

SSBCI: State Small Business Credit Initiative
 VC: venture capital

Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management

Appendix 4
TEDCO Reserve Fund
Fiscal 2022-2025 Est.
(\$ in Thousands)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
Beginning Balance	\$22,997,243	\$29,779,715	\$57,180,748	\$65,701,276
Revenue				
Cash				
MII Program – University Contributions	800,000	800,000	800,000	800,000
Repayments from Seed Grants/Investments (Realized Gains)	1,532,174	2,012,368	-211,100	300,000
Event Income (Registration, Sponsorship, etc.)	9,000	42,578	0	250,000
Licensing Agreement and Royalty	0	345,137	70,453	50,000
Interest and Dividend Income	173,507	830,291	2,931,571	1,000,000
Incubator Capital Note Repayment	25,000	25,000	25,000	25,000
Prior Year Awards Rescinded	637,433	1,471,892	1,723,682	500,000
Miscellaneous	251,258	768,646	0	0
Non-Cash				
Increase Value of Investments	2,200,095	9,881,050	354,480	2,000,000
Increase Value of Notes Receivable	2,374,808	12,051,648	7,307,154	5,000,000
Interest on Convertible Notes	883,500	1,665,268	2,162,920	2,000,000
Total Revenue	\$8,886,775	\$29,893,877	\$15,164,160	\$11,925,000
Total Available Funds	\$31,884,019	\$59,673,591	\$72,344,907	\$77,626,276
Expenditures/Encumbrances				
MII Program (Site Miner Costs and Awards)	\$800,000	\$800,000	\$800,000	\$800,000
Event Expense (Expo and Stem Cell Symposium)	0	193,318	0	250,000
Stem Cell Awards (Prior Rescinded and Rewarded)	877,608	0	1,402,114	0
Builder Fund	0	0	0	0

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	<u>2022</u> <u>Actual</u>	<u>2023</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Estimate</u>
E3 – Executive Exchange (Mentoring Services)	426,696	1,112,979	927,702	1,000,000
Administrative Support	0	386,547	3,513,816	3,000,000
Total				
Expenditures/Encumbrances	<u>\$2,104,304</u>	<u>\$2,492,844</u>	<u>\$6,643,631</u>	<u>\$5,050,000</u>
Ending Balance	<u>\$29,779,715</u>	<u>\$57,180,748</u>	<u>\$65,701,276</u>	<u>\$72,576,276</u>
Net Position per Audit	\$29,779,715	\$57,180,748	\$65,701,276	-

MII: Maryland Innovation Initiative

TEDCO: Maryland Technology Development Corporation

Source: Maryland Technology Development Corporation

Appendix 5
Object/Fund Difference Report
Maryland Technology Development Corporation

<u>Object/Fund</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u> <u>Appropriation</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25 - FY 26</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 54,715,816	\$ 58,171,649	\$ 53,155,649	-\$ 5,016,000	-8.6%
Total Objects	\$ 54,715,816	\$ 58,171,649	\$ 53,155,649	-\$ 5,016,000	-8.6%
Funds					
01 General Fund	\$ 54,715,816	\$ 52,610,816	\$ 47,594,816	-\$ 5,016,000	-9.5%
05 Federal Fund	0	4,645,833	4,645,833	0	0%
09 Reimbursable Fund	0	915,000	915,000	0	0%
Total Funds	\$ 54,715,816	\$ 58,171,649	\$ 53,155,649	-\$ 5,016,000	-8.6%

Note: The fiscal 2026 allowance does not include contingent reductions.