

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 826 (Senator McCray)
 Finance and Budget and Taxation

Economic Development - Makerspace Initiative Pilot Program

This bill establishes the Makerspace Initiative Pilot Program in the Maryland Technology Development Corporation (TEDCO), subject to specified requirements, including that TEDCO partner with the Open Works Center for Advanced Fabrication Technologies in Baltimore City. The Makerspace Initiative Fund (MIF) is established in TEDCO for the administration of the program. Generally, TEDCO may annually provide \$300,000 in financial assistance to eligible applicants for the establishment or expansion of makerspaces in the State. Each fiscal year, TEDCO must also use up to \$50,000 from MIF for administrative expenses and to reimburse up to \$150,000 for technical assistance provided by Open Works. The Governor must include an appropriation of at least \$300,000 annually to MIF from fiscal 2022 through 2024. **The bill terminates September 30, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$300,000 annually from FY 2022 through 2024, as discussed below. Special fund revenues and expenditures for TEDCO increase correspondingly, and may further increase from loan repayments. **The bill establishes a mandated appropriation from FY 2022 through 2024.**

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$0	\$300,000	\$300,000	\$300,000	\$0
GF Expenditure	\$0	\$300,000	\$300,000	\$300,000	\$0
SF Expenditure	\$0	\$300,000	\$300,000	\$300,000	\$0
Net Effect	\$0	(\$300,000)	(\$300,000)	(\$300,000)	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local revenues and expenditures may increase from FY 2022 through 2024 as program funding is received, subject to a matching requirement, and expended.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: TEDCO may award financial assistance to (1) a local government; (2) an agency, an instrumentality, or a nonprofit corporation that a local government designates; or (3) a nonprofit entity operating or seeking to operate a makerspace in the State. Each year from fiscal 2022 through 2024, TEDCO may award financial assistance as follows: (1) \$50,000 to establish makerspace programs with Western Maryland Works; and (2) \$250,000 to establish or expand makerspaces in up to four counties not served by Western Maryland Works.

A recipient of financial assistance (grants, loans, or similar assistance) under the program must provide matching funds or in-kind contributions for the project at least equal to the amount of financial assistance awarded. Generally, TEDCO may not award more than \$150,000 in financial assistance within a single county in a single fiscal year.

The Makerspace Initiative Fund

MIF is established in TEDCO as a special, nonlapsing fund, consisting of money appropriated in the State budget, interest earnings, loan repayments, and any other money from any other source. MIF must be used to cover the following costs of the program:

- TEDCO administrative costs, up to \$50,000 in each fiscal year;
- reimbursement, up to \$150,000 in each fiscal year, for technical assistance provided by the Open Works Center for Advanced Fabrication Technologies in Baltimore City; and
- any financial assistance that is awarded to eligible recipients under the program.

The Legislative Auditor must audit the accounts and transactions of MIF in accordance with current law.

Current Law/Background:

TEDCO

TEDCO is an independent entity established by the Maryland General Assembly in 1998 to facilitate the creation of technology companies and encourage collaboration between these emerging businesses and federal and State research laboratories. TEDCO also aims to promote new research activity and investments that lead to business development in Maryland.

To achieve its goals, TEDCO provides nonequity investments to early-stage technology businesses, and it funds development and patenting of new technologies at research universities. TEDCO also develops linkages with federal research facilities in the State and helps companies pursue research funds from federal and other sources. The corporation's role was expanded in fiscal 2016 with the enactment of Chapter 141 of 2015 to transfer the operation of the Maryland Venture Fund (MVF) and the biotechnology grant program from the Department of Commerce.

Except for MVF, which is a special fund, State support for TEDCO's programs is typically in the form of general funds. The Governor's proposed fiscal 2021 budget includes \$25.9 million for TEDCO (\$20.5 million in general funds).

Open Works Baltimore

Open Works is a nonprofit with a mission dedicated to educational and economic development in Baltimore City. According to its website, with 34,000 square feet of fabrication shops, studio space, classrooms, an on-site coffee shop, and a wide variety of traditional and digital tools all under one roof, Open Works is the largest makerspace in the country.

State Fiscal Effect: This estimate assumes that the Governor provides the minimum amount required by the bill's mandated appropriation. Accordingly, general fund expenditures increase by \$300,000 annually from fiscal 2022 through 2024. Special fund revenues and expenditures for TEDCO increase correspondingly as funds are received and then used for authorized purposes.

As the bill authorizes TEDCO to make loans, special fund revenues may further increase from fiscal 2022 through 2024 as funds are repaid, followed by additional special fund expenditures as those funds are redistributed under the program. It is unclear what happens to any outstanding loan obligations or remaining funds upon termination of the program.

TEDCO advises that it requires one *half-time* staff to administer the program, and that total administrative costs are approximately \$50,000 annually, consistent with funding for this purpose, as authorized by the bill. TEDCO employees are not State employees. This leaves \$250,000 remaining annually for the up to \$150,000 reimbursements for the Open Works Center in Baltimore and all other financial assistance available under the bill.

The Department of Legislative Services notes that the required minimum mandated appropriation of \$300,000 each year is likely insufficient funding for the program as structured, since authorized administrative costs and reimbursements may total up to \$200,000 in a single fiscal year, *prior to any financial assistance being provided*. If the Governor were to provide sufficient funding to meet all authorized expenditures, general

fund expenditures could increase by \$500,000 annually from fiscal 2022 through 2024. Further, although discretionary, funding could be provided in fiscal 2021 as well.

The bill does not otherwise materially affect State finances or operations.

Small Business Effect: Eligible recipients of program funding are local governments and nonprofits, which are not considered small businesses; however, incentivizing the creation of makerspaces may benefit small businesses by providing greater access to production facilities.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1455 (Delegate McIntosh) - Ways and Means.

Information Source(s): Maryland Technology Development Corporation; Department of Commerce; Department of Budget and Management; Baltimore City; Montgomery and Prince George's counties; Open Works Baltimore; Department of Legislative Services

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