

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 577

(Senators McCray and Edwards)

Finance and Budget and Taxation

Rules and Executive Nominations

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. The Governor must include an appropriation in the annual budget bill of at least \$275,000 in fiscal 2023 and at least \$450,000 in fiscal 2024 and 2025 for MIF. **The bill terminates September 30, 2025.**

Fiscal Summary

State Effect: General fund expenditures increase by \$275,000 in FY 2023 and by \$450,000 annually in FY 2024 and 2025, as discussed below. Special fund revenues and expenditures for MIF in TEDCO increase correspondingly, and may further increase from loan repayments. Additional operational effects are discussed below. **The bill establishes a mandated appropriation from FY 2023 through 2025.**

| (in dollars) | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
|----------------|---------|-------------|-------------|-------------|---------|
| SF Revenue | \$0 | \$275,000 | \$450,000 | \$450,000 | \$0 |
| GF Expenditure | \$0 | \$275,000 | \$450,000 | \$450,000 | \$0 |
| SF Expenditure | \$0 | \$275,000 | \$450,000 | \$450,000 | \$0 |
| Net Effect | \$0 | (\$275,000) | (\$450,000) | (\$450,000) | \$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 2023 through 2025 as program funding is received, subject to a matching requirement, and expended.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: TEDCO is required to award financial assistance under the program and may do so 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. Funding must be used each year as shown in **Exhibit 1**.

Exhibit 1 Use of Program Funds under the Bill

| | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> |
|---|------------------|------------------|------------------|
| Establish makerspace programs with WMW | \$50,000 | \$50,000 | \$50,000 |
| Establish or expand makerspaces in up to four counties not served by WMW | 125,000 | 250,000 | 250,000 |
| Reimbursement for assistance provided by Open Works Center in Baltimore City* | 50,000 | 100,000 | 100,000 |
| TEDCO administrative costs* | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> |
| Total | \$275,000 | \$450,000 | \$450,000 |

TEDCO: Maryland Technology Development Corporation

WMW: Western Maryland Works

*Up to the specified amounts.

Source: Department of Legislative Services

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 is prohibited from awarding 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 costs of the program, which are detailed above in Exhibit 1.

The Office of Legislative Audits (OLA) must audit the accounts and transactions of MIF in accordance with current law.

Current Law: 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.

State Fiscal Effect: This estimate assumes that the Governor provides the minimum amount required by the bill's mandated appropriations. Accordingly, general fund expenditures increase by \$275,000 in fiscal 2023 and by \$450,000 annually in fiscal 2024 and 2025. Special fund revenues and expenditures for MIF increase correspondingly as funds are received and then used for authorized purposes.

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. The remaining available funding each year is sufficient to both (1) provide the specified financial assistance and (2) make the specified reimbursements to the Open Works Center in Baltimore City.

As the bill authorizes TEDCO to make loans, special fund revenues for MIF may further increase from fiscal 2023 through 2025 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.

The bill adds a mandated audit of MIF to existing OLA audit requirements. OLA advises that it cannot accommodate additional audits within existing resources without negatively

impacting current audit work plans. Therefore, the bill either (1) results in the reallocation of resources from other regular and required audits, which may result in significant delays in their completion or (2) requires additional personnel. Hiring a staff auditor 1 at a salary of \$55,000 would cost approximately \$85,000, including salary and fringe benefits.

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: HB 1455 of 2020, a similar bill as amended, passed the House and was referred to the Senate Finance and Senate Budget and Taxation committees. No further action was taken. Its cross file, SB 826, received a hearing from the Senate Finance and Senate Budget and Taxation committees, but no further action was taken.

Designated Cross File: HB 443 (Delegate McKay) - Ways and Means.

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

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