

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 709 (Senators Edwards and Corderman)
 Finance

Economic Development - Maryland Technology Infrastructure Pilot Program - Establishment

This bill establishes the Maryland Technology Infrastructure Pilot Program, Authority, and Fund (MTIF) in the Maryland Technology Development Corporation (TEDCO). The pilot program is focused on the Western Maryland innovation economy. The authority must provide advice to and consult with TEDCO in connection with the administration of the program. MTIF must be used to cover the program’s costs; subject to available funding and on the recommendation of the authority, TEDCO must award financial assistance from MTIF to public or private entities in the State for specified purposes. **The bill takes effect July 1, 2021, and terminates June 30, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$2.5 million annually from FY 2022 through 2026, under the assumptions discussed below. Special fund revenues and expenditures increase correspondingly. State revenues and expenditures may increase from awards under the program beginning in FY 2022 (not shown, discussed below). Funding for the program is discretionary.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
GF Expenditure	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
SF Expenditure	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
Net Effect	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)

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

Local Effect: Local government and/or local community college revenues and expenditures may increase from awards under the program from in FY 2022 through 2026.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Maryland Technology Infrastructure Pilot Program

The purpose of the program is to:

- establish a program in Western Maryland to support the innovation economy by incentivizing the development of advanced industry infrastructure and resources that build on the existing strengths of the region's economy;
- support the growth of and incentivize the attraction and retention of early-stage innovation-based business in Western Maryland through the creation of supporting infrastructure and resources;
- manage MTIF for financial assistance in projects to support the program; and
- evaluate the efficacy of the program for future expansion to other parts of the State.

Subject to available funding, and on the recommendation of the authority, TEDCO is required to award financial assistance from MTIF to public or private entities in the State, including institutions of higher education, to:

- support large-scale infrastructure or resource projects in Western Maryland to attract talent, foster collaboration, and enable concentration and growth of advanced industries;
- foster public-private collaborations to encourage development of shared infrastructure and resources; and
- support talent development initiatives that address critical skill shortage areas in industries critical to growth in Western Maryland.

MTIF may not contribute more than (1) one-third of the total cost of a project described above or (2) \$500,000 per project.

“Financial assistance” for purposes of the program means a grant, loan, credit enhancement, investment, or similar assistance. Priority for the award of any financial assistance must be given to those projects that are most likely to:

- attract significant investment in the State;
- result in significant company formation, expansion, or job creation; or
- result in meaningful economic and employment development in Western Maryland.

Maryland Technology Infrastructure Authority

The authority is established in TEDCO to provide advice to and consult with TEDCO in connection with the administration of the program. TEDCO must provide staff for the authority and may employ or contract with experts to assist with the administration and management of the program. The authority consists of specified individuals from the public and private sector in Western Maryland, subject to specified conditions. A member of the authority may not receive compensation but is entitled to reimbursement for travel expenses.

The authority is required to adopt regulations to establish a competitive application process and criteria and procedures for awarding financial assistance from MTIF to eligible recipients, subject to specified requirements.

Maryland Technology Infrastructure Fund

MTIF is established in TEDCO as a special, nonlapsing fund that is not subject to reversion, consisting of:

- appropriations as provided in the State budget;
- any interest earnings of the fund; and
- any other money from any other source accepted for the benefit of the program.

The executive director of TEDCO, or the executive director's designee, must administer MTIF in accordance with the bill and any other applicable law. The fund must be used to cover the costs of the program, including (1) any administrative costs and (2) any financial assistance that is awarded to eligible recipients. Any investment earnings of MTIF accrue to the fund.

Reporting and Oversight

By July 1, 2025, TEDCO must report to the General Assembly on implementation of the pilot program and must make recommendations on the expansions of the pilot program to a statewide program. The Office of Legislative Audits (OLA) must audit the account and transactions of the fund as provided under 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 (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:

Program Operation and Oversight

The bill does not mandate funding or otherwise specify an intended funding level for the program. This estimate assumes that \$2.5 million is provided each year, which is enough to make five awards for close to the maximum amount of \$0.5 million while still paying for TEDCO's administrative expenses. At that level of programmatic activity, TEDCO's administrative expenses, including one new position, marketing, travel, and consultant costs, are approximately \$260,000 annually. TEDCO employees are not State employees. This estimate assumes that administrative costs are paid directly from MTIF as required by the bill and, therefore, are included in the annual MTIF appropriation. To the extent that discretionary funding provided to the program is more or less than this amount, programmatic activity changes.

Therefore, general fund expenditures increase by \$2.5 million annually from fiscal 2022 through 2026. Special fund revenues and expenditures for MTIF increase correspondingly as TEDCO provides financial assistance to eligible recipients under the bill and pays for its administrative expenses.

The program may provide several types of financial assistance. Some types, such as loans and investments, can reasonably be assumed to generate revenue for the program in future years. The additional revenue may then be used to provide additional financial assistance. Accordingly, beginning as early as fiscal 2023, special fund revenues and expenditures for MTIF further increase beyond annual general fund appropriations to the extent that revenue-generating financial assistance is provided by TEDCO under the program.

Costs associated with appointing and maintaining the authority as an advisory body are assumed to be minimal and absorbable within budgeted resources.

The bill adds a mandated audit of MTIF 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.

Program Recipients

Program funds may be awarded to public or private entities, including institutions of higher education, subject to a minimum 2:1 matching requirement per project. Accordingly, special fund revenues (Executive Branch agencies) and/or higher education revenues increase to the extent that funds are received under the program. State expenditures (all funds) and/or higher education expenditures increase as necessary to fulfill the matching requirement.

Local Fiscal Effect: As noted above, program funds may be awarded to public or private entities, subject to a minimum 2:1 matching requirement per project. Accordingly, local government and/or community college revenues increase to the extent that funds are received under the program. Local government and/or community college expenditures increase as necessary to fulfill the matching requirement.

Small Business Effect: Small businesses benefit significantly from investments made under the program, both directly as recipients of funding and indirectly as beneficiaries from the infrastructure and resources supported by the program's investments.

Additional Comments: Chapter 207 of 2020 established the Task Force on the Economic Future of Western Maryland, staffed by Commerce. The task force must study the current economic conditions of Western Maryland and make recommendations on potential methods to improve the economies of Allegany, Garrett, and Washington counties. TEDCO participated as a member of the task force. The bill implements a recommendation in the task force's [interim report](#).

Additional Information

Prior Introductions: None.

Designated Cross File: HB 892 (Delegate Buckel) - Ways and Means.

Information Source(s): Maryland Technology Development Corporation; University System of Maryland; Garrett County; Department of Legislative Services

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