

**Department of Legislative Services**  
 Maryland General Assembly  
 2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 453 (Senators McCray and Edwards)  
 Finance and Budget and Taxation

Ways and Means

**Economic Development – Maryland Makerspace Initiative Program**

This bill establishes the Maryland Makerspace Initiative Program in the Maryland Technology Development Corporation (TEDCO) to encourage the establishment and expansion of makerspaces throughout the State. TEDCO may partner with the Open Works Center for Advanced Fabrication Technologies in Baltimore City. The Maryland Makerspace Initiative Fund (MMIF) is established in TEDCO for the administration of the program. The Governor must include an appropriation in the annual budget bill of at least \$1.0 million in fiscal 2024 through 2028 for MMIF. **The bill terminates September 30, 2028.**

**Fiscal Summary**

**State Effect:** No likely effect in FY 2023. General fund expenditures increase by \$1.0 million annually in FY 2024 through 2028, as discussed below. Special fund revenues and expenditures for MMIF 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 2024 through 2028.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$1.0	\$1.0	\$1.0	\$1.0
GF Expenditure	\$0	\$1.0	\$1.0	\$1.0	\$1.0
SF Expenditure	\$0	\$1.0	\$1.0	\$1.0	\$1.0
Net Effect	\$0.0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

*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 2024 through 2028 as program funding is received, subject to a matching requirement, and expended.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:** “Makerspace” means a community space that (1) provides access to tools, technology, and knowledge for learners and entrepreneurs; (2) results in the prototyping or creation of physical goods; and (3) supports the development of educational opportunities for personal growth, workforce training, and early-stage business ventures.

TEDCO is required to award financial assistance under the program in a manner that reflects geographic diversity to the extent practicable and 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.

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 and may not utilize the financial assistance for the operating cost of the makerspace after the first three years of operation. Generally, TEDCO is prohibited from awarding more than \$250,000 in financial assistance within a single county in a single fiscal year.

MMIF 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. MMIF must be used to cover the following costs of the program:

- TEDCO administrative costs, up to \$100,000 in each fiscal year;
- reimbursement for technical assistance and mentoring provided by existing makerspaces; and
- any financial assistance that is awarded to eligible recipients under the program.

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

By October 1, 2027, TEDCO must report to the Governor and the General Assembly as specified in the bill on the program.

**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 and the biotechnology grant program from the Department of Commerce.

**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 \$1.0 million annually in fiscal 2024 through 2028. Special fund revenues and expenditures for MMIF increase correspondingly as funds are received and then used for authorized purposes.

TEDCO advises that it requires one part-time (0.75 full-time equivalent) staff to administer the program at an estimated cost of \$80,000, along with overhead costs of \$20,000 for expenses such as accounting, marketing, and information systems. Thus, total administrative costs are approximately \$100,000 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 approximately \$800,000 of specified financial assistance and (2) make reimbursements of approximately \$100,000 to existing makerspaces.

As the bill authorizes TEDCO to make loans, special fund revenues for MMIF may further increase from fiscal 2024 through 2028 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 MMIF 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 \$57,500, would cost approximately \$87,000, 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 that provide tools, technology, and knowledge to learners and entrepreneurs.

## **Additional Information**

**Prior Introductions:** Legislation containing similar provisions has been considered in recent legislative sessions. SB 577 of 2021 was amended in the Senate and referred to the House Rules and Executive Nominations Committee, where no further action was taken. Its cross file, HB 443 of 2021, received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1455 of 2020 was amended in the House and referred to the Senate Finance and Senate Budget and Taxation committees, but 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:** None.

**Information Source(s):** Maryland Technology Development Corporation; Department of Commerce; Department of Budget and Management; Department of Legislative Services

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Analysis by: Heather N. MacDonagh

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510