

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1450
Ways and Means

(Delegate Qi)

Finance

Maryland Small Business Innovation Research and Technology Transfer
Incentive Program - Alterations

This bill removes the award and investment limits under the Maryland Small Business Innovation Research and Technology Transfer (SBIR/STTR) Incentive Program in the Maryland Technology Development Corporation (TEDCO). A business is still limited to one award or investment per fiscal year and three awards or investments in total. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill does not directly affect overall revenues or expenditures for the program, but it may reallocate funding between eligible recipients, as discussed below. TEDCO can handle the bill's requirements with existing budgeted resources.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Current Law: SBIR/STTR awards are those provided under an applicable SBIR/STTR award program by an agency of the federal government for a business to engage in research and development that has a strong potential for commercialization.

To qualify for participation in the SBIR/STTR Program, a small business must (1) meet the existing definition of a qualified business in State law and (2) have received an SBIR/STTR Phase I or Phase II award during the six months immediately preceding the submission of its program application.

Subject to the above eligibility requirements, specified application requirements, and the availability of funding for the program, an eligible small business may apply for an award or investment of 25% of an SBIR/STTR award, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. Awards or investments may exceed the maximum amount if the TEDCO board determines that the award is necessary to better serve the community and purposes of the program. TEDCO may make up to 20 Phase I awards or investments and 10 Phase II awards or investments per fiscal year. Businesses are limited to one award or investment per fiscal year and up to three awards or investments in total.

The Maryland SBIR/STTR Incentive Matching Fund in TEDCO may be used only to provide awards or investments to eligible small businesses and to pay the costs necessary to administer the program, including marketing, outreach, and technical assistance.

For a general description of the SBIR/STTR Incentive Program and other TEDCO programs, see the **Appendix – Maryland Technology Development Corporation**.

The Bill: The per-award or investment limits and the maximum number of Phase I and II awards and investments that may be provided under the program are removed. A business is still limited to one award or investment per fiscal year and three awards or investments in total. Other program requirements are unchanged.

State Fiscal Effect: The bill does not directly affect overall revenues or expenditures for the program, and, if overall program funding does not change, the bill may reallocate funding between eligible recipients. Under this assumption, TEDCO can handle the bill's requirements with existing budgeted resources. The fiscal 2026 budget as passed by the General Assembly includes \$1.33 million for awards and investments and \$0.5 million for technical assistance, the same funding as fiscal 2025.

However, general fund expenditures for TEDCO may increase if the bill leads to an increased expectation for funding, which is no longer functionally limited by the general restrictions on awards and investments each fiscal year under current law. Special fund revenues and expenditures for the Maryland SBIR/STTR Incentive Matching Fund would increase correspondingly as any additional funding is received and used for authorized purposes.

Small Business Effect: The bill removes award limits under the program, which may lead to some small businesses receiving different funding amounts compared to what they

otherwise would, including no funding. The effect on any particular small business could be meaningful.

Additional Comments: The U.S. Small Business Administration administers the SBIR Program and the STTR Program. Phase I awards are made to evaluate the feasibility and merit of a scientific or technical idea. Phase II awards are granted to expand on the results of a Phase I concept.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 302 (Senator Lam) - Finance.

Information Source(s): Maryland Technology Development Corporation; U.S. Small Business Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2025
km/ljm Third Reader - March 14, 2025
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Appendix – Maryland Technology Development Corporation

The Maryland Technology Development Corporation (TEDCO) is an independent entity established by the Maryland General Assembly in 1998 to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. TEDCO investments must meet statutory eligibility criteria that generally require a business to have and subsequently maintain a presence in the State. TEDCO programs typically assist companies based on a company's stage of development, from early stage and technology transfer to growth stage. TEDCO's purview and funding has expanded in recent years as legacy programs were transferred from the Department of Commerce and new programs were established directly within TEDCO. The following programs have been established by legislation since 2021. Related mandated appropriations are also noted.

- **Pre-Seed Builder Fund** – supports the development of start-up companies run by entrepreneurs from socially or economically disadvantaged backgrounds that hinder access to traditional forms of capital and executive networks at the pre-seed stage. The Governor must include appropriations in the annual budget bill in the following amounts: \$5.0 million in fiscal 2023; \$6.2 million in fiscal 2024; and \$7.5 million annually beginning in fiscal 2025.
- **Inclusion Fund** – provides capital investment in technology-based businesses that (1) would qualify for investment under the Builder Fund (in TEDCO regulations); (2) are at least 30% owned by individuals who demonstrate economic disadvantage; and (3) are controlled and managed for at least one year after the time of investment by an individual or individuals who demonstrate economic disadvantage.
- **Maryland Makerspace Initiative Program** – encourages the establishment and expansion of makerspaces throughout the State. The Governor must include an appropriation in the annual budget bill of at least \$1.0 million in fiscal 2024 through 2028 for the fund. The program terminates September 30, 2028.
- **Maryland Equity Investment Fund** – allows unappropriated general fund surplus to be invested in a “qualified business” – with a goal to increase private equity and venture capital in the State – and the interest earnings and investment returns realized to the benefit of participants of State pension systems. Subject to specified criteria related to unappropriated general fund surplus, the Governor was required to include \$10.0 million in the fund in the fiscal 2024 budget bill.

- **Small Business Innovation Research and Technology Transfer Incentive (SBIR/STTR) Program** – allows eligible small businesses to apply for State awards or investments of 25% of SBIR/STTR federal grants, limited to \$25,000 for Phase I funding or \$75,000 for Phase II funding. TEDCO may make up to 20 Phase I distributions and 10 Phase II distributions per fiscal year for a total of \$1.25 million.
- **Equitech Growth Fund and Commission** – support economic competitiveness and inclusive growth of emerging and advanced industries in the State through the creation of supporting infrastructure assets, resources, and a diverse workforce that builds the strengths of the State’s economy. TEDCO must award grants, investments, loans, or other financial assistance to public, nonprofit, or private entities in the State. Awards must target workforce development and infrastructure. From fiscal 2025 through 2033, the Governor must include in the annual budget bill an appropriation of \$5.0 million to the fund.
- **Cyber Maryland Program and Fund** – create a talent pipeline in cybersecurity, serve as a hub for State workforce development programs in cybersecurity, and generally coordinate cybersecurity and research and innovation in the State, among other things. Beginning in fiscal 2025, the Governor (1) must include in the annual budget bill an appropriation of \$99,000 for the fund to be used for talent pipeline management and (2) may include an additional appropriation in the annual budget bill of \$250,000 for the fund.
- **Human-Relevant Research Program and Fund** – promote State-funded research intended to develop human-relevant alternatives to using nonhuman animals in testing and research through grants and loans. TEDCO must establish a grant and loan program, as specified. The program is funded by fees on entities conducting research on nonhuman animals.
- **Pava LaPere Innovation Acceleration Grant Program** – fosters growth of the entrepreneurial innovation ecosystem in the State by providing grants to technology-based start-up companies that are founded by students of postsecondary institutions located in the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA) and have their principal place of business in the MSA. Each fiscal year, the Governor must include an appropriation for the program in the annual budget bill, although no amount is specified.
- **Baltimore Innovation Initiative Pilot Program** – provides incentives for and grows technology start-up companies founded by students or faculty at eligible universities. For fiscal 2025 and 2026, the Governor must include in the annual

budget bill an appropriation of \$1.5 million for the program. The program terminates June 30, 2027.