

SENATE BILL 574

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By: **Senator Feldman**

Introduced and read first time: February 4, 2019

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Small Business Innovation Research and Technology Transfer**
3 **Incentive Program**

4 FOR the purpose of establishing the Maryland Small Business Innovation Research and
5 Technology Transfer Incentive Program in the Department of Commerce;
6 establishing the purposes of the Program; establishing qualifications for
7 participation in the Program; authorizing the Program to provide certain grants to
8 certain businesses on a first-come, first-served basis, subject to certain limitations;
9 providing for the coordination of certain activities of the Program with comparable
10 county programs; providing that a certain grant recipient may be required to return
11 certain funds under certain circumstances; establishing the Maryland Small
12 Business Innovation Research and Technology Transfer Incentive Matching Fund as
13 a special, nonlapsing fund; specifying the purpose of the Fund; requiring the
14 Secretary of Commerce to administer the Fund; requiring the State Treasurer to hold
15 the Fund, and the Comptroller to account for the Fund; specifying the contents of the
16 Fund; specifying the purpose for which the Fund may be used; providing for the
17 investment of money in and expenditures from the Fund; requiring interest earnings
18 of the Fund to be credited to the Fund; requiring the Secretary to review and evaluate
19 the Program on a periodic basis; authorizing the Secretary to submit certain
20 recommendations to the Governor and the General Assembly; authorizing the
21 Secretary to adopt certain regulations; exempting the Fund from a certain provision
22 of law requiring interest earnings on State money to accrue to the General Fund of
23 the State; defining certain terms; and generally relating to the Maryland Small
24 Business Innovation Research and Technology Transfer Incentive Program.

25 BY repealing and reenacting, with amendments,
26 Article – Economic Development
27 Section 5–102
28 Annotated Code of Maryland
29 (2018 Replacement Volume)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to

2 Article – Economic Development

3 Section 5–1701 through 5–1707 and the subtitle “Subtitle 17. Maryland Small
4 Business Innovation Research and Technology Transfer Incentive Program”

5 Annotated Code of Maryland

6 (2018 Replacement Volume)

7 BY repealing and reenacting, without amendments,

8 Article – State Finance and Procurement

9 Section 6–226(a)(2)(i)

10 Annotated Code of Maryland

11 (2015 Replacement Volume and 2018 Supplement)

12 BY repealing and reenacting, with amendments,

13 Article – State Finance and Procurement

14 Section 6–226(a)(2)(ii)112. and 113.

15 Annotated Code of Maryland

16 (2015 Replacement Volume and 2018 Supplement)

17 BY adding to

18 Article – State Finance and Procurement

19 Section 6–226(a)(2)(ii)114.

20 Annotated Code of Maryland

21 (2015 Replacement Volume and 2018 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

23 That the Laws of Maryland read as follows:

24 **Article – Economic Development**

25 5–102.

26 The Department shall administer the State’s economic development and financial
27 assistance programs and funds including:

28 (1) the BRAC Revitalization and Incentive Zone Program, under Subtitle
29 13 of this title;

30 (2) the Enterprise Fund, under Subtitle 6 of this title;

31 (3) the Enterprise Zones Program, under Subtitle 7 of this title;

32 (4) the Make Office Vacancies Extinct Program, under Subtitle 15 of this
33 title;

34 (5) the Maryland Economic Adjustment Fund, under Subtitle 2 of this title;

1 (6) the Maryland Economic Development Assistance Authority and Fund,
2 under Subtitle 3 of this title;

3 (7) the Maryland Industrial Development Financing Authority, under
4 Subtitle 4 of this title;

5 (8) the Maryland Small Business Development Financing Authority, under
6 Subtitle 5 of this title;

7 **(9) THE MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND**
8 **TECHNOLOGY TRANSFER INCENTIVE PROGRAM, UNDER SUBTITLE 17 OF THIS**
9 **TITLE;**

10 **[(9)] (10)** the Appalachian Regional Development Program, under Title 13,
11 Subtitle 1 of this article;

12 **[(10)] (11)** jointly with the Department of Housing and Community
13 Development, the Community Development Block Grant for Economic Development;

14 **[(11)] (12)** the Regional Institution Strategic Enterprise Zone Program
15 under Subtitle 14 of this title; and

16 **[(12)] (13)** any other programs or funds designated by statute, the
17 Governor, or the Secretary.

18 **SUBTITLE 17. MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND**
19 **TECHNOLOGY TRANSFER INCENTIVE PROGRAM.**

20 **5-1701.**

21 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
22 **INDICATED.**

23 **(B) “FUND” MEANS THE MARYLAND SMALL BUSINESS INNOVATION**
24 **RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.**

25 **(C) “PROGRAM” MEANS THE MARYLAND SMALL BUSINESS INNOVATION**
26 **RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE PROGRAM.**

27 **(D) “SMALL BUSINESS INNOVATION RESEARCH GRANT” MEANS A GRANT**
28 **AWARDED UNDER THE SMALL BUSINESS INNOVATION RESEARCH GRANT PROGRAM**
29 **BY THE NATIONAL INSTITUTES OF HEALTH FOR A BUSINESS TO ENGAGE IN**
30 **RESEARCH AND DEVELOPMENT THAT HAS A STRONG POTENTIAL FOR**
31 **COMMERCIALIZATION.**

1 **(E) “SMALL BUSINESS TECHNOLOGY TRANSFER GRANT” MEANS A GRANT**
2 **AWARDED UNDER THE SMALL BUSINESS TECHNOLOGY TRANSFER GRANT**
3 **PROGRAM BY THE NATIONAL INSTITUTES OF HEALTH FOR A BUSINESS TO ENGAGE**
4 **IN RESEARCH AND DEVELOPMENT THAT HAS A STRONG POTENTIAL FOR**
5 **COMMERCIALIZATION.**

6 **5-1702.**

7 **(A) THERE IS A MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND**
8 **TECHNOLOGY TRANSFER INCENTIVE PROGRAM IN THE DEPARTMENT.**

9 **(B) THE PURPOSE OF THE PROGRAM IS TO FOSTER JOB CREATION AND**
10 **ECONOMIC DEVELOPMENT IN THE STATE BY:**

11 **(1) PROMOTING THE COMMERCIALIZATION OF RESEARCH**
12 **CONDUCTED BY SMALL BUSINESSES IN THE STATE;**

13 **(2) FACILITATING THE TRANSFER OF TECHNOLOGY FROM SMALL**
14 **BUSINESSES; AND**

15 **(3) ENCOURAGING SMALL BUSINESSES TO APPLY FOR SMALL**
16 **BUSINESS INNOVATION RESEARCH GRANTS AND SMALL BUSINESS TECHNOLOGY**
17 **TRANSFER GRANTS.**

18 **5-1703.**

19 **(A) TO QUALIFY FOR PARTICIPATION IN THE PROGRAM, A SMALL BUSINESS**
20 **SHALL MEET THE CRITERIA IN THIS SECTION.**

21 **(B) THE SMALL BUSINESS MUST:**

22 **(1) MAINTAIN ITS PRINCIPAL PLACE OF BUSINESS IN THE STATE;**

23 **(2) HAVE RECEIVED A PHASE I OR PHASE II SMALL BUSINESS**
24 **INNOVATION RESEARCH GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER**
25 **GRANT IN THE CURRENT FISCAL YEAR; AND**

26 **(3) CONDUCT AT LEAST 51% OF ITS RESEARCH AND DEVELOPMENT**
27 **OPERATIONS AT A PHYSICAL LOCATION IN THE STATE.**

28 **(C) A GRANT RECIPIENT THAT FAILS TO FULFILL THE ELIGIBILITY AND**
29 **MAINTENANCE REQUIREMENTS OF THE PROGRAM, OR OF A COMPARABLE COUNTY**
30 **PROGRAM THAT SUPPORTS THE RECIPIENT, MAY BE REQUIRED TO RETURN ALL OR**
31 **PART OF THE GRANT TO THE PROGRAM.**

1 (D) THE PROGRAM SHALL REQUIRE A SMALL BUSINESS TO RETURN TO THE
2 DEPARTMENT ANY MONEY FROM A MATCHING GRANT UNDER THIS SUBTITLE IF THE
3 BUSINESS DOES NOT REMAIN IN THE STATE FOR AT LEAST 2 YEARS AFTER
4 RECEIVING THE GRANT PAYMENT.

5 5-1704.

6 (A) AN APPLICANT SHALL SUBMIT AN APPLICATION FOR A PROGRAM
7 GRANT ON THE FORM THAT THE SECRETARY REQUIRES.

8 (B) THE PROGRAM SHALL REVIEW THE APPLICATION AND ALL SUPPORTING
9 MATERIALS TO EVALUATE WHETHER THE APPLICANT QUALIFIES FOR A GRANT
10 FROM THE PROGRAM.

11 (C) SUBJECT TO THE AVAILABILITY OF MONEY IN THE FUND, THE
12 PROGRAM MAY PROVIDE TO AN ELIGIBLE SMALL BUSINESS A MATCHING GRANT FOR
13 A SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS
14 TECHNOLOGY TRANSFER GRANT.

15 (D) A SMALL BUSINESS THAT IS AWARDED A MATCHING GRANT FOR A PHASE
16 I SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS
17 TECHNOLOGY TRANSFER GRANT SHALL RECEIVE A MATCHING GRANT AMOUNT
18 THAT IS THE LESSER OF:

19 (1) 25% OF THE PHASE I SMALL BUSINESS INNOVATION RESEARCH
20 GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER GRANT; OR

21 (2) \$25,000.

22 (E) A SMALL BUSINESS THAT IS AWARDED A MATCHING GRANT FOR A PHASE
23 II SMALL BUSINESS INNOVATION RESEARCH GRANT OR SMALL BUSINESS
24 TECHNOLOGY TRANSFER GRANT SHALL RECEIVE A MATCHING GRANT AMOUNT
25 THAT IS THE LESSER OF:

26 (1) 25% OF A PHASE II SMALL BUSINESS INNOVATION RESEARCH
27 GRANT OR SMALL BUSINESS TECHNOLOGY TRANSFER GRANT; OR

28 (2) \$75,000.

29 (F) DURING EACH FISCAL YEAR A SMALL BUSINESS MAY NOT RECEIVE
30 MORE THAN ONE MATCHING GRANT.

1 (G) A SMALL BUSINESS MAY NOT RECEIVE MORE THAN FIVE MATCHING
2 GRANTS UNDER THIS SUBTITLE.

3 (H) THE DEPARTMENT SHALL AWARD MATCHING GRANTS ON A
4 FIRST-COME, FIRST-SERVED BASIS.

5 (I) THE PROGRAM SHALL COORDINATE WITH COMPARABLE COUNTY
6 PROGRAMS TO EVALUATE APPLICATIONS AND TO PROVIDE ASSISTANCE TO
7 ELIGIBLE BUSINESSES UNDER THIS SUBTITLE.

8 5-1705.

9 (A) THERE IS A MARYLAND SMALL BUSINESS INNOVATION RESEARCH AND
10 TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.

11 (B) THE PURPOSE OF THE FUND IS TO PROVIDE MATCHING FUNDS TO
12 FURTHER STIMULATE INNOVATION AND ENTREPRENEURSHIP AND ATTRACT EARLY
13 STAGE SMALL BUSINESSES ENGAGED IN RESEARCH AND DEVELOPMENT.

14 (C) THE SECRETARY SHALL ADMINISTER THE FUND.

15 (D) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT
16 SUBJECT TO REVERSION UNDER § 7-302 OF THE STATE FINANCE AND
17 PROCUREMENT ARTICLE.

18 (2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,
19 AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

20 (E) THE FUND CONSISTS OF:

21 (1) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;

22 (2) MONEY RECAPTURED FROM BUSINESSES THAT FAIL TO FULFILL
23 THE TERMS AND CONDITIONS OF A GRANT MADE FROM THE PROGRAM;

24 (3) INTEREST EARNINGS OF THE FUND; AND

25 (4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR
26 THE BENEFIT OF THE FUND.

27 (F) THE FUND MAY BE USED ONLY FOR:

28 (1) MATCHING GRANTS THAT COUNTIES OR THE FEDERAL

1 GOVERNMENT PROVIDE TO ELIGIBLE BUSINESSES UNDER COMPARABLE SMALL
2 BUSINESS INNOVATION RESEARCH OR SMALL BUSINESS TECHNOLOGY TRANSFER
3 GRANT PROGRAMS; AND

4 (2) ADMINISTRATIVE EXPENSES OF THE PROGRAM.

5 (G) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND
6 IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.

7 (2) INTEREST EARNINGS OF THE FUND SHALL BE CREDITED TO THE
8 FUND.

9 (H) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN ACCORDANCE
10 WITH THE STATE BUDGET.

11 5-1706.

12 (A) AT LEAST ONCE EVERY 3 YEARS, THE SECRETARY SHALL REVIEW AND
13 EVALUATE THE PROGRAM, INCLUDING THE NUMBER AND SIZE OF ELIGIBLE
14 BUSINESSES THAT RECEIVE SUPPORT FROM THE PROGRAM.

15 (B) BASED ON THE REVIEW AND EVALUATION, THE SECRETARY MAY
16 SUBMIT RECOMMENDATIONS TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE
17 STATE GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY ON THE CONTINUED
18 EFFECTIVENESS OF THE PROGRAM.

19 5-1707.

20 THE SECRETARY MAY ADOPT REGULATIONS TO IMPLEMENT THIS SUBTITLE.

21 **Article – State Finance and Procurement**

22 6-226.

23 (a) (2) (i) Notwithstanding any other provision of law, and unless
24 inconsistent with a federal law, grant agreement, or other federal requirement or with the
25 terms of a gift or settlement agreement, net interest on all State money allocated by the
26 State Treasurer under this section to special funds or accounts, and otherwise entitled to
27 receive interest earnings, as accounted for by the Comptroller, shall accrue to the General
28 Fund of the State.

29 (ii) The provisions of subparagraph (i) of this paragraph do not apply
30 to the following funds:

1 112. the Pretrial Services Program Grant Fund; [and]

2 113. the Veteran Employment and Transition Success Fund;

3 AND

4 114. THE MARYLAND SMALL BUSINESS INNOVATION
5 RESEARCH AND TECHNOLOGY TRANSFER INCENTIVE MATCHING FUND.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
7 1, 2019.