



ANNAPOLIS REPORT

May 17, 2007

2007 Session Review

The Tech Council of Maryland/MdBio (TCM) worked tirelessly on behalf of Maryland's technology and biotechnology communities during the 2007 session of the Maryland General Assembly. Selected outcomes for major issue areas are as follows:

Biotechnology

TCM helped secure the full \$6 million FY2008 funding for the Biotechnology Investment Incentive Act, which attracts early stage capital investment to Maryland's life science companies. Funding for stem cell research, which TCM strongly supported, was \$23 million, \$8 million higher than last year's funding. TCM successfully advocated on behalf of Governor Martin O'Malley's initiative to create the Maryland Life Sciences Advisory Board. The Board will work to focus Maryland's efforts in biotechnology through industry collaboration and strategic planning.

Technology

TCM helped secure passage for legislation that encourages broadband development in Maryland by prohibiting excessive regulation. We helped to defeat legislation that would have harmed competition for companies providing broadband access services. TCM supported successful legislation that provides a tax credit for companies locating in publicly sponsored incubators that exist to encourage collaboration and entrepreneurship for growing companies.

Tax Climate, Spending and Revenue

The overwhelming issue looming ahead for the Governor and General Assembly is \$1.5 billion structural budget deficit for FY2009. Though tax increases were proposed in a broad array of areas, no significant revenue enhancements passed. That leaves the issue for either the 2008 session or a special session later this year, possibly in the fall. TCM was able to help ensure the defeat of legislation that had a negative impact on Maryland's corporate tax structure.

Transportation Funding

No major efforts were successful to raise revenue for Maryland's Transportation Trust Fund (TTF), which funds, among other transportation priorities, road and mass transit projects. Gas tax increases were proposed, but none passed. However, because the gas tax has not increased since 1992 and the TTF is under funded, it is likely that a gas tax increase will receive a great deal of attention during a special session or in the 2008 session.

Higher Education Funding

The Governor and legislators funded a tuition freeze at the University System of Maryland for the upcoming year.

Capital Formation Legislation

Income Tax - Research and Development Tax Credits - Modifications (SB 232 / HB 46)

Summary: Would have increased the aggregate cap for the Maryland Research and Development Tax Credit from \$6 million to \$12 million. Would have increased the cap for the basic tax credit from \$3 million to \$5 million and the cap for the growth credit from \$3 million to \$7 million. *Did not pass.*

TCM Position: Supported – the R&D Tax Credit is one of the few incentives that directly target technology and biotechnology companies.

Economic Development Opportunities (Sunny Day) Account - Extraordinary Economic Development Opportunity - Definition (SB 277)

Summary: Would have added "new or emerging technologies" to the definition of an extraordinary economic development opportunity as it relates to the retention, expansion, establishment or attraction of public or private institutions through the use of the Sunny Day Fund. *Did not pass.*

TCM Position: Supported – important clarification that Sunny Day funds may be used for new or emerging technologies.

Maryland Small Business Development Financing Authority - Financing Limitations (SB 318 / HB 989)

Summary: Alters limitations on lending, guarantees and equity participation financing by the Maryland Small Business Development Financing Authority (MSBDFA). MSBDFA incentivizes Maryland's socially or economically disadvantaged entrepreneurs including those in the technology or biotechnology sectors. *SB 318 vetoed as duplicative. HB 989 signed by Governor May 17, 2007. Effective October 1, 2007.*

TCM Position: Monitored

Corporate Income Tax - Tax Credit for Location In A Higher Education-Affiliated Research Park (SB 428 / HB 215)

Summary: Would have provided a tax credit against the State income tax for eligible expenses of corporations that locate to a higher education-affiliated research park. *Did not pass.*

TCM Position: Supported – Research parks are vital to growing and nurturing Maryland's knowledge economy.

Maryland Biomedical Product Development Fund (SB 594 / HB 659)

Summary: Would have established a Maryland Biomedical Product Development Fund to support research and development of innovative treatments, therapies, diagnostics and medical devices that address smoking-related diseases. Would have established that the fund is administered by the Maryland Technology Development Corporation (TEDCO) in consultation with the Department of Health and Mental Hygiene and that the grants awarded shall be between \$150,000 and \$1,500,000. Would have increased the tobacco tax by 15 cents to fund the program. *Did not pass.*

TCM Position: Supported – TCM supports incentives that grow and nurture Maryland's biotechnology industry.

Business and Economic Development - Biotechnology Investment Incentive Act (SB 976)

Summary: Would have changed the definition of qualified companies, investors and investments for the Biotechnology Investment Incentive Act. Would have established that an eligible company cannot be more than six years old. Would have capped the amount of the incentive for one company to no more than 15% of the total of the fund for any year. Would have altered the method of claiming the tax credit. Would have made other technical and administrative changes. *Did not pass.*

TCM Position: Supported – TCM supports changes that enhance the Biotechnology Investment Incentive Act.

Biotechnology Investment Tax Credits (HB 1007)

Summary: Would have allowed insurers to claim the credit. Would have changed the definition of investment to mean the issuance of a debt instrument by a biotech company that is convertible into stock, a partnership interest or other ownership interest in the biotech company. Would have established that a qualified investor does not include a person, officer, director, manager or general partner of a biotechnology company or a person that owns more than 25% of the biotechnology company prior to the issuance of the tax credit certificate. Would have established that the maximum tax credits allowed may not exceed \$2 million in the aggregate or \$1 million for a qualified Maryland venture firm. Would have made other technical and administrative changes. *Did not pass.*

TCM Position: Supported – TCM supports changes that enhance this invaluable program.

Business and Economic Development - Maryland Research and Development Tax Credit (HB 1197)

Summary: Provides for the continuation of the Maryland Research and Development Tax Credit if the federal research and development tax credit is repealed or terminates. *Signed by Governor April 10, 2007. Effective July 1, 2007.*

TCM Position: Supported – TCM supports the Maryland Research and Development Tax Credit program and wants to ensure it continues even if the federal program terminates.

Innovation Legislation

The Stem Cell Research Enhancement Act of 2007 (SB 59)

Summary: Would have required the Stem Cell Research Commission place a priority on funding embryonic stem cell research. *Did not pass.*

TCM Position: Statement of information – TCM strongly supports stem cell research funding for the best and most innovative technologies available.

Maryland Life Sciences Advisory Board (SB 104 / HB 135)

Summary: Establishes a 15-member Maryland Life Sciences Advisory Board in the Department of Business and Economic Development to: (1)

develop a comprehensive state strategic plan for life sciences; (2) promote life sciences research, development, commercialization, and manufacturing in the state; (3) promote collaboration and coordination among life sciences organizations in the state; (4) promote collaboration and coordination among research institutions of higher education in the state; (5) develop a strategy to coordinate state and federal resources to attract private sector investment and job creation in the life sciences; (6) develop a strategy to support federal life sciences facilities located in the state, including support for education, transportation, housing, and capital investment needs; and (7) make recommendations to address critical needs in the life sciences, including access to venture capital and capital construction funding. *SB 104 signed by Governor May 8, 2007. HB 135 vetoed as duplicative. Effective July 1, 2007.*
TCM Position: Supported – Establishment of this entity will greatly increase coordination, collaboration and focus on Maryland's life sciences industry.

Base Realignment and Closure Subcabinet (SB 110 / HB 136)

Summary: Creates the 10-member Base Realignment and Closure (BRAC) Subcabinet in Maryland State government to coordinate and oversee the implementation and development of all state action to support the missions of military installations affected by the BRAC recommendations. *Signed by Governor April 10, 2007. Effective June 1, 2007.*
TCM Position: Monitored

Prescription Privacy Act (SB 266)

Summary: Would have prohibited the transfer of identifying prescriber or patient information on a prescription by a pharmacy, a pharmacy benefits manager, an insurer or a data transfer intermediary or their agents. *Did not pass.*
TCM Position: Opposed – TCM supports efforts to protect the confidentiality of patient information but this bill confused confidential patient data with physician prescribing data and could have harmed Maryland's positive environment for research and development.

Maryland Comparative Negligence Act (SB 267 / HB 110)

Summary: Would have established that in an action brought to recover damages for negligence that resulted in the death of an individual, injury to a person or damages to property, the fact that the plaintiff may have been contributorily negligent may

not bar recovery by the plaintiff, plaintiff's legal representative or plaintiff's beneficiary. *Did not pass.*

TCM Position: Opposed – Changes to Maryland's contributory negligence statute would adversely impact Maryland's positive tort climate as well as its business climate.

Human Cloning Prohibition Act of 2007 (SB 362)

Summary: Would have prohibited a person from performing or attempting to perform human cloning. *Did not pass.*

TCM Position: Monitored

Retrieval of Oocytes - Prohibition (SB 436 / HB 872)

Summary: Would have prohibited the retrieval of an oocyte (female germ cell or egg) for research purposes. *Did not pass.*

TCM Position: Monitored

Health - Donation - Oocytes - Prohibition (SB 578 / HB 873)

Summary: Would have required that the medical history of an individual who donates an oocyte (female germ cell or egg) shall be made available to children conceived using the donated oocytes. *Did not pass.*

TCM Position: Monitored

Prescription Drugs - Canadian Mail Order Plan (SB 670)

Summary: Would have required the State of Maryland to develop a Canadian mail order plan for the purchase and importation of prescription drugs. *Did not pass.*

TCM Position: Opposed – TCM opposes any effort to circumvent U.S. Food and Drug Administration regulations regarding drug importation that may jeopardize the health of patients in Maryland through exposure to unsafe drugs. Additionally, Canadian drug importation has the potential to stifle innovation of U.S. pharmaceutical and biotechnology companies.

State-Funded Stem Cell Research - Stem Cell Research Commission - Abstract (SB 671)

Summary: Would have required an applicant for State-funded stem cell research to submit an abstract that includes a description and long-term objectives of the proposal that describes the research design and methods and refers to the health-relatedness of the proposal. *Did not pass.*

TCM Position: Monitored

State-Funded Stem Cell Research – Subject to the Open Meetings Law ([SB 787](#))

Summary: Would have required the Stem Cell Research Commission to be subject to the State Open Meetings Law. *Did not pass.*

TCM Position: Monitored

Voice Over Internet Protocol Service ([SB 864 / HB 1379](#))

Summary: Provides that the Public Service Commission does not have authority to impose regulatory fees, certification requirements or require the filing or approval of tariffs for Voice over Internet Protocol (VoIP) Service. VoIP is defined as any two-way voice communications that originate from or terminate to the subscriber end user's location requiring Internet protocol or any successor protocol to Internet protocol and requires a broadband connection from the user's location. *SB 864 signed by Governor May 17, 2007. HB 1379 signed by Governor May 17, 2007. Effective October 1, 2007.*

TCM Position: Supported – TCM recognizes that the best way to encourage emerging broadband technologies is to not regulate them, but to allow and encourage market-based competition.

Public Health - Mercury-Free Vaccines - Requirements ([SB 902](#))

Summary: Would have required that an individual must be vaccinated with a vaccine that contains less than 1.25 micrograms of mercury per 0.5 milliliter dose unless a vaccine that meets this requirement is not readily available or appropriate. *Did not pass.*

TCM Position: Opposed – TCM believes regulation of pharmaceuticals is a federal issue, not a state issue.

Property Tax - Credit for Property Used as a Publicly Sponsored Incubator ([SB 705 / HB 327](#))

Summary: Authorizes the governing body of a county or of a municipal corporation to grant a property tax credit for property used as a business incubator if the State or a county, municipality or public higher education institution controls or provides funding of the incubator. Allows the local jurisdiction to decide the amount and duration of the tax credit. *SB 705 signed by Governor May 17, 2007. HB 327 signed by Governor May 17, 2007. Effective June 1, 2007.*

TCM Position: Supported – incubators are an important economic development tool because they offer below market rent to start-up technology

companies. These low costs help facilitate survival, growth and expansion of cutting edge companies.

Prince George's County - Property Tax – Credit for Property Used as a Business Incubator ([SB 1026](#))

Summary: Would have authorized Prince George's County to grant a property tax credit for property that is used in an incubator owned by the state, local or higher education institution. *Did not pass.*

TCM Position: Monitored

Income Tax - Credit for Cellulosic Ethanol Technology Research and Development ([HB 544](#))

Summary: Would have allowed for a tax credit for cellulosic ethanol technology research and development expenses incurred by an individual or corporation. *Did not pass.*

TCM Position: Monitored

Human Hybridization Prohibition Act of 2007 ([HB 871](#))

Summary: Would have prohibited a person from fertilizing or creating a human or nonhuman oocyte (female germ cell or egg) with sperm from a human or nonhuman to produce an embryo that has a predominantly or partially human genetic constitution. *Did not pass.*

TCM Position: Monitored

Public Service Commission - Broadband Internet Service ([HB 1069](#))

Summary: Would have required the Public Service Commission to adopt regulations requiring broadband providers to submit quarterly reports regarding deployment of broadband Internet service to the public. *Did not pass.*

TCM Position: Opposed – This bill would have required excessive regulation of the Internet and may have discouraged investment in broadband deployment in Maryland.

Task Force to Study the Economic Development Benefits of the Clean Energy Industry in Maryland ([HB 1294](#))

Summary: Would have created the Task Force to Study the Economic Development Benefits of the Clean Energy Industry in Maryland to identify the economic development, environmental and energy security benefits of using clean energy, conservation policies and technology. *Did not pass.*

TCM Position: Monitored

Transportation Legislation

Maryland Transportation Authority - Intercountry Connector - Funding (SB 73 / HB 57)

Summary: Would have removed the requirement that \$53 million be appropriated to the Maryland Transportation Authority for the Intercountry Connector in FY2008. *Did not pass.*

TCM Position: Statement of information – Building the Intercountry Connector, or ICC, is one of TCM's top transportation priorities.

Transportation Funding - Mass Transit Account (SB 167)

Summary: Would have created a Mass Transit Account within the Transportation Trust Fund. *Did not pass.*

TCM Position: Monitored

Transportation Funding Act of 2007 (SB 949)

Summary: Would have increased the gasoline tax from 23.5 cents to 35.5 cents. *Did not pass.*

TCM Position: Monitored

Sales and Use Tax - Mass Transit Funding (HB 393)

Summary: Would have required that a portion of sales and use tax revenue go to a Mass Transit Account to be created within the Transportation Trust Fund. *Did not pass.*

TCM Position: Monitored

Transportation Funding - Mass Transit Funding - Sales and Use Tax (HB 434)

Summary: Would have required that a portion of sales and use tax revenue go to a Mass Transit Account to be created within the Transportation Trust Fund. *Did not pass.*

TCM Position: Monitored

Transportation - Tax Revenues (HB 821)

Summary: Would have increased the motor fuel tax rates for gasoline, special fuel and clean-burning fuel by 10 cents per gallon. *Did not pass.*

TCM Position: Monitored

Higher Education Legislation

Higher Education - Tuition Affordability Act of 2007 (SB 108 / HB 134)

Summary: Prohibits University System of Maryland institutions and Morgan State University from increasing resident undergraduate tuition for the 2007-2008 academic year beyond the rates charged in the 2005-2006 academic year. *SB 108*

vetoed as duplicative. HB 134 signed by Governor May 17, 2007. Effective July 1, 2007.

TCM Position: Monitored

Tuition Cap and College Opportunity Act of 2007 (SB 809 / HB 1431)

Summary: Would have required Maryland to provide funding support for the University System of Maryland and Morgan State University to achieve 100% of the Maryland Higher Education Commission's funding guidelines by FY2014. *Did not pass.*

TCM Position: Monitored

Higher Education - Maryland Truth in Tuition Act (HB 1047)

Summary: Would have required a governing board to develop a long-term tuition plan for a public senior higher education institution. Would have provided that the purpose of the plan is to ensure that students of higher education institutions are informed of the tuition that will be charged for four academic years of enrollment. *Did not pass.*

TCM Position: Monitored

Tax Climate Legislation

Corporate Income Tax Reform - Combined Reporting (SB 393)

Summary: Would have required unitary groups to file combined income tax returns and compute their Maryland taxable income using the combined reporting method. *Did not pass.*

TCM Position: Opposed – Changes that make Maryland's corporate tax structure less attractive to businesses may harm economic development efforts.

Economic Development and Tax Incentive Act (SB 614 / HB 983)

Summary: Would have required DBED to submit a Unified Economic Development and Tax Incentive Report and the State Department of Assessments and Taxation to submit a Unified Property Tax Exemption and Credit Report to the General Assembly each year. *Did not pass.*

TCM Position: Opposed – Would have required excessive reporting making economic development incentives less attractive to technology and biotechnology companies.

Corporate Income Tax Reform (HB 553)

Summary: Would have required unitary groups to file combined income tax returns. *Did not pass.*

TCM Position: Opposed – Maryland’s current corporate taxation structure is fair and competitive with surrounding and competitor states. This bill would have tilted that balance.

Sales and Use Tax - Services (HB 448)

Summary: Would have imposed the sales tax on a variety of services. *Did not pass.*

TCM Position: Monitored

Sales and Use Tax - Services (HB 1022)

Summary: Would have imposed the sales tax on a variety of services. *Did not pass.*

TCM Position: Monitored

Individual Income Tax - Rates (HB 1420)

Summary: Would have established new income tax brackets and rates ranging from 3% to 6% of net taxable income. *Did not pass.*

TCM Position: Monitored

Workforce Legislation

Economic and Community Development - Community Technology Centers (SB 664 / HB 862)

Summary: Would have established the Community Technology Center Program to provide grants to nonprofit organizations for the development of information technology workforce training. *Did not pass.*

TCM Position: Monitored

Job Skills Advancement Training Program (SB 778 / HB 926)

Summary: Would have established a Job Skills Advancement Training Program to provide grants to local workforce investment boards to fund training programs and services, including those that attempt to meet the needs of high-growth and high-demand industries. *Did not pass.*

TCM Position: Monitored

Budget Priorities

Maryland Department of Business and Economic Development (DBED) - TCM supported fully funding DBED’s FY2008 budget request of \$131.3 million. *The General Assembly approved \$120.0 million in funding.*

Maryland Technology Development Corporation (TEDCO) - TCM supported fully funding TEDCO’s

FY2008 budget request of \$5.5 million for technology development, transfer and commercialization. *The General Assembly approved \$5.5 million in funding.*

Stem Cell Research - TCM supported the \$25 million budget request for stem cell research grants in TEDCO’s budget. *The General Assembly approved \$23 million in funding.*

Biotechnology Tax Credits - TCM supported the \$6 million budget request for the Biotechnology Investment Incentive Act in DBED’s budget. *The General Assembly approved \$6 million in funding.*

Nanotech Biotechnology Initiative - TCM supported the \$2.5 million budget request for the Nanotech Biotechnology Initiative Fund in DBED’s budget. *The General Assembly approved \$2.5 million in funding.*

Rural Broadband - TCM supported the \$4 million budget request for rural broadband initiatives in DBED’s budget. *The General Assembly approved \$4 million in funding.*

East Baltimore Biotechnology Park - TCM supported the \$5 million in capital funding for the East Baltimore Biotechnology Park. *The General Assembly approved \$5 million in funding.*

Germantown Life Sciences Incubator - *Late in the session, the General Assembly inserted language providing \$1 million in capital funding for the acquisition, planning, design, construction, renovation, reconstruction and capital equipping of the Germantown Life Sciences Incubator, located next to the Germantown campus of Montgomery College.*