

# Economic Impact Statement

Montgomery County, Maryland

## Expedited Bill 23-23

## Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program – Amendments

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 23-23 would have a small positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By allowing applicants who received federal awards in calendar year 2022 to be eligible for the County's SBIR/STTR matching grant program, the Bill would provide grants to certain businesses that otherwise would be ineligible in the absence of the policy change. In doing so, it would induce greater investment in R&D, with the potential to increase income for businesses who successfully commercialize technological innovations.

### BACKGROUND AND PURPOSE OF EXPEDITED BILL 23-23

Coordinated by the U.S. Small Business Administration (SBA), the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are competitive federal awards programs that encourage domestic small businesses to engage in Federal Research/Research and Development (R/R&D) with the potential for commercialization. The SBIR/STTR programs are structured in three phases with awards generally ranging from \$50,000 to \$750,000 depending on the phase.<sup>1</sup>

In fiscal year 2019, the County established the local SBIR/STTR Matching Grant Program as an entitlement program for small businesses. The program provides grants to County businesses that receive a federal SBIR/STTR Phase I or Phase II grant to conduct research in medicine, biotechnology, or life sciences.<sup>2</sup> Since its start, the program has disbursed 38 awards totaling \$1,650,000 to 25 companies, matching \$34,357,086 in federal awards.

The purpose of Bill 23-23 is to allow applications to the County's SBIR/STTR Matching Grant Program on a fiscal year basis rather than a calendar year. This change will allow prospective applicants receiving federal awards in calendar year 2022 to be eligible for the matching grant program, as applications were temporarily paused while the program was undergoing legislative changes in 2022.<sup>3</sup>

Bill 23-23 was introduced along with Executive Regulation 2-23, which, if approved by the Council, would establish new protocols for administering the matching grant program. Expedited Bill 23-23, Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program – Amendment, was introduced by the Council President on behalf of the County Executive on May 2, 2023.

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<sup>1</sup> Sbir.gov, "[About](#)."

<sup>2</sup> Smith to PHED, [Memorandum](#).

<sup>3</sup> [Introduction Staff Report for Expedited Bill 23-23](#).

## INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Expedited Bill 23-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.<sup>4</sup>

**Scope Condition:** Expedited Bill 23-23 would allow applicants who received federal awards in calendar year 2022 to be eligible for the County's SBIR/STTR Matching Grant Program. To fund grants that otherwise would not be issued in the absence of the policy change, the County would use tax revenues. This transfer from the County to the recipients of the grant would not entail a net increase in the amount of economic activity in the County. For this reason, the Bill's total economic impact would depend on: (a) the per year economic benefits to County businesses and residents of grants issued that otherwise would not; and (b) the per year economic opportunity cost of the foregone County revenues.

Because OLO does not know how the foregone County revenues would otherwise be used in the absence of enacting the Bill, this analysis does not account for the economic impacts of alternative government spending with the foregone revenue. The scope of this analysis, therefore, is limited to the economic impacts of providing grants to businesses who otherwise would be ineligible.

**Information Source:** OLO assesses the Bill's impacts on the Council's priority economic indicators by drawing on materials enclosed within the Introductory Staff Report.

## VARIABLES

The primary variables that would affect the economic impacts of enacting Expedited Bill 23-23 are the following:

- Total grant value; and
- Number of grant recipients.

## IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

### Businesses, Non-Profits, Other Private Organizations

OLO anticipates that enacting Expedited Bill 23-23 would have positive impacts on certain private organizations in the County in terms of the Council's priority economic indicators.

By allowing applicants who received federal awards in calendar year 2022 to be eligible for the County's SBIR/STTR Matching Grant Program, the Bill would provide grants to certain businesses that otherwise would be ineligible in the

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<sup>4</sup> Montgomery County Code, [Sec. 2-81B](#).

absence of the policy change. In doing so, it would induce greater investment in R&D, with the potential to increase income for businesses who successfully commercialize technological innovations.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

## Residents

OLO anticipates that enacting Expedited Bill 23-23 would have an insignificant impact on residents in the County in terms of the Council's priority economic indicators.

## Net Impact

OLO anticipates that enacting Bill 23-23 would have a small positive impact on economic conditions in the County in terms of the Council's priority economic indicators. As discussed above, the Bill would directly benefit businesses who otherwise would be ineligible to receive the County's SBIR/STTR Matching Grant Program in the absence of the policy change. OLO expects the other economic impact to be small given the current size of the program.

## DISCUSSION ITEMS

Not applicable

## WORKS CITED

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements](#).

Montgomery County Council. [Introduction Staff Report: Expedited Bill 23-23, Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program – Amendments](#). Introduced on May 2, 2023.

Sbir.gov. "[About](#)." U.S. Small Business Administration. Accessed November 7, 2022.

Smith, Gene to Planning, Housing, and Economic Development (PHED) Committee. [Memorandum](#). October 12, 2022.

## CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

## AUTHOR

Stephen Roblin (OLO) prepared this report.