PHED ITEM #1
October 17, 2022
Worksession

M E M O R A N D U M

October 12, 2022

TO: Planning, Housing, and Economic Development (PHED) Committee

FROM: Gene Smith, Legislative Analyst

SUBJECT: Continuation of SBIR/STTR Matching Grant Program Review

PURPOSE: Discussion, make recommendations for next steps

Those expected for this worksession:
Jake Weissmann, Assistant Chief Administrative Officer, Office of the County Exec. (CEX)
Judy Costello, Special Projects Manager, CEX
Derese Bikila, Program Manager, CEX, Business Advancement Team
Brad Stewart, Senior Vice President of Business Development, MCEDC

The committee reviewed the Small Business Research Matching Grant Program (i.e., "SBIR/STTR Matching Grant Program") during two worksessions in FY22.[1] Following the second review, the committee requested that Executive staff, in coordination with the Montgomery County Economic Development Corporation (MCEDC), return with recommendations to update the program for the committee to consider (see ©1-8).

The committee will review the recommendations from Executive staff during this worksession**.** The PHED Committee is expected to indicate a preferred direction how it wants to update the program during today's meeting. **Council staff supports the new programmatic elements recommended by Executive staff and also recommends that the Council implement these changes through an Executive Regulation as detailed on page 4-5**.

[1] Council staff report for July 12, 2021 and November 8, 2021.

I. Background

A. July 12, 2021 Worksession

Below is an abbreviated version of the background and items reviewed by the PHED Committee on July 12, 2021. The July 12, 2021 Council staff report provides a full account of the committee's review.

The SBIR/STTR Matching Grant Program was established in County Code in FY 2019. **The SBIR/STTR Matching Grant Program is an entitlement program for small businesses with an industry focus on the County's biotechnology sector**. The intent of the program is to provide small grants for early-stage County businesses that successfully received a federal SBIR/STTR Phase I or II grant to conduct research in medicine, biotechnology, or life sciences.

The committee reviewed and considered several possible changes to the SBIR/STTR Matching Grant Program. The following is a summary of these changes presented to the committee during the July 12, 2021 worksession:

- Enhance data reporting and outreach.
- Enhance Phase I funding.
- Alter the 50/50 split for Phase I and Phase II grants.
- Develop a Phase "0" program.

The committee requested that BioHealth Innovation (BHI) and MCEDC return with recommendations to revise the SBIR/STTR Program for FY23.

B. November 8, 2021 Worksession

Below is an abbreviated version of the items reviewed by the PHED Committee on November 8, 2021. The November 8, 2021 Council staff report provides a full account of the committee's review.

BHI and MCEDC provided recommendations to revise the SBIR/STTR Program to the PHED Committee. The following is a summary of the organizations' recommendations:

- Both organizations recognized the importance of assisting early-stage biotech businesses in the County, and that the current SBIR/STTR Matching Grant Program aids in differentiating and marketing the County's economic development efforts with this industry.
- Both organizations acknowledged that additional investments by the County for a technical assistance program could spur greater growth for early-stage startups.
- Both organizations recommended removing the first-come, first-serve requirement of the program and focus on other requirements (e.g., grants for businesses in the technical assistance programs).

- A difference between the recommendations is the third-party entity that would administer the technical assistance program for the County.
- MCEDC also recommended it directly administer a revised matching grant program in conjunction with its technical assistance program.

The committee requested that Executive staff, in conjunction with MCEDC, return with recommendations for revising the program.

C. Current Recommendations

Executive staff transmitted its recommendations in June 2022 to the committee. Executive and MCEDC staff will be available to discuss the background information and recommendations in the attached memorandum. Below are the recommendations included in the attached memorandum to update the SBIR/STTR Matching Grant Program.

- **Add more eligibility criteria and new program elements**. In addition to the new eligibility criteria enumerated by Executive staff on ©7, the new program elements noted were:
    a. Creating a Phase 0 award;
    b. Allowing for two application periods per fiscal year, one starting July 1 and one starting January 1; and
    c. 50% of the award will be a direct grant to the business and 50% of the award will be available to the business for certain reimbursable expenditures.
- **Provide annual funding for an "SBIR Navigator" position within MCEDC**. MCEDC will use the SBIR Navigator to prepare, maintain, and market a list of "Qualified Consultants", state, and federal programs.
- **BHI would have the opportunity to serve a much larger number of companies**.

II. Discussion

Council staff divided the Executive staff recommendations into two categories for today's discussion – 1) items related to the legal structure of the program; and 2) items related to funding for the additional program elements recommended.

A. Items Related to the Legal Structure

Executive staff recommends adding eligibility criteria and adding new program elements to update the program. These additional criteria should focus the County's funding for greater economic impact. The current law is attached on ©9-10. Table 1 below compares the current law with the recommended changes from Executive staff.

Table 1: Comparisons of Current Law and Recommended Changes for the program

Current Law	Recommended Changes
Business Eligibility	
1) Has been awarded a SBIR or STTR Phase I or Phase II grant during the current calendar year to conduct research in medicine, biotechnology, or life sciences; and 2) Conducts at least 51% of its research and development operations at a physical location in the County.	In addition to the current law, the following would be included as eligibility criteria: 1) Number of employees; 2) Years in operation; and 3) Number of Federal SBIR/STTR awards received.
Award Restrictions	
1) One award per year; and 2) Five total awards per business per lifetime.	1) Two Phase I awards per business; and 2) Two Phase II awards per business. <u>Additional notes</u>: there are limitations that a business may not receive a Phase I award if it has already received a Phase II award.
Amount of Grant	
1) 10% of SBIR/STTR Phase I award, up to $25,000 2) 10% of SBIR/STTR Phase I award, up to $75,000	1) $25,000 for Phase I, 50% unrestricted and 50% for certain reimbursable expenses 2) $50,000 for Phase II, 50% unrestricted and 50% for certain reimbursable expenses
Administration	
1) Awards are provided on a first-come, first-served basis; and 2) The annual appropriation for this program is divided 50/50 between the SBIR/STTR Phase I awards and SBIR/STTR Phase II awards.	1) There will be two annual application periods – one in July and one in January. <u>Additional notes</u>: the Council may choose to retain the first-come, first served approach under the proposed recommendations; it cannot retain the 50/50 division in appropriation.

Executive staff also recommend two additional program elements for the SBIR/STTR Matching Grant Program – 1) create a Phase 0 award; and 2) fund a SBIR Navigator. These items are not included in Table 1, because the current law does not include an analogue. However, these items may be added to the program based on the Committee's preferred approach to implementing these changes, as discussed below.

Council staff concurs with Executive staff's recommendations in Table 1 to update the legal structure of the program to focus and leverage greater economic benefit from the County's funding. Should the PHED Committee agree, it will need to indicate the best method to implement these changes.

Implementing changes to the legal structure

Council staff details three options for the committee's consideration to implement these recommendations. These options are differentiated by the legislative method to update the program. In addition to the Council's role, the choice of method will determine the program's flexibility to pivot the program should future modifications be desired by the Council and/or Executive. Regardless of which option the committee selects, the Council must amend some parts the County Code to implement these recommendations.

1) **Amend the County Code to include all these recommendations**. This option would include the additional eligibility criteria and new program elements in the County Code directly. This approach provides no flexibility to the County for future modifications without approving amendments to the code.
2) **Request an Executive Regulation include most of these recommendations**. This option would include the additional eligibility criteria and new program elements in an Executive Regulation. This approach provides greater flexibility to the County for future modifications because the process to update a regulation is less intensive than amending the County Code.

   The County Code already allows the Executive to implement this program through a Method 2 regulation, but it would still require minor amendments to accommodate the broader programmatic changes recommended. The Council would retain authority to review and approve or disapprove the regulation before it goes into effect.
3) **Allow the Executive to implement these and future changes through the program's annual application**. This option would include the additional eligibility criteria and new program elements as part of the annual application document. This approach provides maximum flexibility to the County for any future modifications.

   The County Code would require minor amendments to accommodate the broader programmatic changes recommended. If selected, the Council should operate this program's implementation like it does for the MOVE Program where any proposed changes are presented to the committee before implementing, but where no formal action by the Council is required before the program's parameters are updated.

Council staff recommends that the County implement this program through an Executive Regulation. This option provides an appropriate amount of oversight and flexibility to Council while providing reasonable flexibility to the County to update the program now and in the future.

B. Items Related to Funding

Executive staff listed two additional funding initiatives as part of the recommendations for updating this program on ©8 – 1) funding for a SBIR navigator; and 2) possible funding for BHI as an opportunity to serve a large number of businesses. **Given the timing of the committee's review in the annual budget cycle, Council staff recommends that these items be considered for the FY24 Operating Budget**. This would provide more time for Executive staff to coordinate with the County's partners to develop and implement these elements following the official adoption of any changes to the program's parameters by the Council.

This packet contains:	Circle #
June 2022 Executive staff Memorandum, re: program amendments	1
Section 20-76E of the County Code	9

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

M E M O R A N D U M

June 7, 2022

TO: Hans Riemer, Chair
Planning, Housing and Economic Development Committee

FROM: Yaakov "Jake" Weissmann, Assistant Chief Administrative Officer
Office of the County Executive

SUBJECT: Executive Branch Analysis - Montgomery County SBIR/STTR Matching Grant Program

I. Background

Since its launch in FY2019, Montgomery County, Maryland's SBIR/STTR Matching Grant program has enabled Montgomery County early-stage companies receiving federal SBIR/STTR grants for the development of their biohealth-related technologies matching grants of $25,000 to Phase 1 awardees, or $75,000 to Phase 2 awardees, on a first come, first served basis. Federal SBIR/STTR awards are granted on a highly competitive basis involving peer reviewers to applicants with innovative technologies in a variety of sectors. While more than thirty states offer support to Phase 0, Phase 1 or Phase 2 SBIR/STTR recipients[1], Montgomery County is the only county-based program of this kind in the country. The states offering matching grants consider them to be an important tool to support technology innovation and related company growth:

> *"During the pre-proposal and preparation phases, some states have created what are known as "Phase 0" awards programs. These programs are designed to assist new applicants in their pursuit of Phase I federal SBIR/STTR awards…More substantial funding is available in many states in the form of grants that match a federal SBIR/STTR award. These matching programs provide small businesses with additional funding that can generally support technological and commercial development of the*

[1] https://www.sbir.gov/sites/default/files/2021_State-Funds-for-SBIR-companies_0826.pdf, p.3.

> *technology that is the subject of the federal award. As covered in the report, the availability of matching funds may vary within a state for Phase I and Phase II."*[2]

States offering Phase 0 support to companies to help them develop their initial SBIR/STTR applications provide grants ranging from $2500 to $5000. Most states have a much larger pool of funds than the County to provide SBIR/STTR matching grants. Most offer $25,000-$100,000 to Phase 1 recipients and $50,000 to $100,000 to Phase 2 recipients. Several offer more at each phase. Montgomery County's program is focused on supporting companies developing technologies in medicine, biotechnology, or life sciences. From FY2019 through FY2021 projects funded through NIH were eligible to apply. Eligibility was expanded in FY2022 to include eligible projects funded by any Federal agency. Currently, the County's match program provides $25,000 to Phase 1 recipients and $75,000 to Phase 2 recipients.

II. Matching Grants Disbursed to Date

To date, 38 matching grants totaling $1,650,000 have been granted to 25 companies matched to $34,357,086 received in federal funds. (Nine of these companies have received two or more grants.) In FY2021, five applicants for Phase 2 matching grants were declined due to lack of funds because the program was oversubscribed. However, these five applicants all successfully had applied previously for County matching funds and collectively were awarded a total of $425,000 in 11 different matching grants from their earlier applications.

III. Potential Pool of Montgomery County SBIR/STTR Matching Program Applicants

Between FY2019 and FY2021, 27 Montgomery County companies received 99 federal SBIR/STTR awards from the NIH totaling $66,540,271. About one third of these were Phase 1 awards. Twelve of these companies received three or more awards during this period, including at least one or more Phase 2 grants. This indicates that while only one third of NIH funded SBIR/STTR projects received a match, 90% of the Montgomery County companies that received these SBIR/STTR awards from NIH were able to benefit from the County's SBIR/STTR Matching Grant program, indicating a strong penetration in the local life sciences community with our local match program.

IV. Council Discussions

On July 12, 2021, the PHED Committee met with representatives from MCEDC, BHI, and County Executive staff to discuss the SBIR/STTR Local Matching Grant Program and opportunities for improving this initiative. At the conclusion of that meeting, the PHED Committee requested that MCEDC and BHI return to another committee meeting to provide recommendations for the program, including the potential for changes such as: eliminating the first-come, first-served policy and using alternative metrics for eligibility; providing assistance to younger start-ups who are in Phase 0 or Phase 1 trying to get established rather than providing

[2] https://www.sbir.gov/sites/default/files/2021_State-Funds-for-SBIR-companies_0826.pdf, p.2.

assistance to more seasoned firms (i.e., Phase 2 applicants); considering the addition of elements to address racial equity.

On November 8, 2021, the PHED Committee met again to discuss the SBIR/STTR Matching Grant Program with representatives from MCEDC, BHI and Executive staff to review recommendations provided by MCEDC and BHI which included:

- Providing more Technical Assistance to companies applying for their Phase 0 (seed), Phase 1, or Phase 2 SBIR/STTR awards.
- Changing the first-come, first-served approval process to one that is focused on the commercialization or growth potential of the applicant's technology as vetted by a 3rd party.
- Engaging more interactively with the applicants to the County's matching grant program.
- Refining the program parameters to focus on smaller companies which have received fewer Federal SBIR/STTR grant awards (typically Phase 0 or Phase 1 applicants); and
- Splitting the current SBIR/STTR funding appropriation into a smaller amount for direct grants to companies and the rest to fund partners to provide technical assistance.

Both BHI and MCEDC mentioned during their presentations that the County may better support entrepreneurs by providing more targeted, direct technical assistance to early-stage companies to maximize their odds of receiving Federal SBIR/STTR grant awards to advance their technology development in Montgomery County. There also was an acknowledgement that Federal SBIR Phase 2 award recipients typically receive grants of $1 million or more through these Federal awards so the County's $75,000 match represents a relatively small amount of support compared to the Federal dollars awarded.

V. Matching Grant Recipient Survey

To make a more informed decision regarding potential recommended changes to the SBIR/STTR Matching Grant Program, staff reached out to the 25 recipients which received these grants from Montgomery County. These recipients not only benefited from the match program but also represent 90% of the industry's potential match recipients. Two of these companies advanced their technologies sufficiently to have them acquired by firms located outside Maryland. (These companies subsequently returned the funds they had been granted to the County.) 20 of the 23 other recipients responded to this survey (87% response rate). A summary of their responses follows:

A. Companies' Use of Funds

Companies used the matching grant funds for a variety of purposes not included in the specific project awards. These uses included: Purchase of contract manufacturing and organization services, lab supplies, equipment, data, patient samples, cell lines; patent and other legal fees; business management, accounting, and commercialization consultant costs;

operations and lease support; contract employees, salaries, and overhead costs; conference attendance and other business development costs; COVID-19 related expenses (i.e., PPE, lab shielding, thermometers).

B. Impact of Funds on Companies' Commercialization Progress

The companies universally support the match program and cited the many different uses listed above which could not be covered by the federal grant award but were key to technology development. Several companies cited key milestones achieved with the support of the grant such as: advancement in manufacturing stage; publishing of data; filing of patents; development of prototypes, cell lines and other products; optimization of technology; securing of key partners, private sector, and federal investors.

Next inflection points expected by these companies during the next year include: completion and/or securing of IND (Investigational New Drug); Series A and B funding raises; SBIR Phase 2 awards; clinical trials initiation; company spinoffs and private sector (Series A and B) capital raises.

C. Impact of Funds on Companies' Real Estate Footprint and Employment

COVID-19 and the closure of the innovation space at the Johns Hopkins campus in Rockville resulted in the temporary elimination or reduction of space for several award recipients. Eleven firms have maintained the same square footage they had when the initiated their project and received their matching grant. Most of these firms are occupying relatively small space ranging from 145 to 5,000 square feet with the aggregate totaling 18,263 s.f. The 11th has maintained 18,000 s.f. Four companies have expanded their footprints since receiving the grants, increasing their collective footprint in the County by 76% from 28,609 s.f. to 50,358 s.f. Though a couple firms reduced staff due to COVID-19, more than half of the award recipients reported job growth since their first matching grant application. More than fifty total jobs collectively have been added by 11 firms since they submitted their original matching grant applications.

D. Companies' Interest in Future Matching Grants

Most of the survey respondents are in the process of applying for additional SBIR funding or awaiting decisions on current applications pending. All these companies stated they would apply in the future for the local matching grants if they were available and would use future matching grants for work involved with scaling technologies or contributions to salary and benefit costs for regulatory, operations and scientific personnel. They stated that SBIR project approved salaries alone are not competitive in this region and that the grants can fund personnel requirements related to commercialization but not in the project budget. One firm stated that they would prefer the County provide support for companies who are "in the

valley of death" (beyond the technology innovation period but still pre-revenue) instead of to those still eligible for innovation grants.

E. Potential 3rd Party Evaluation vs. Current "First Come-First Served" Process

Survey respondents were asked their thoughts about potentially changing the County's first come-first served award process to one based on third party evaluation of a recipient technology's potential commercialization success. The respondents overwhelmingly prefer the current process citing the breadth and depth of technology expertise required to evaluate their technologies and the due diligence process already involved in the federal funding award process:

"…I do not think third party evaluation would be necessary since all NIH funded projects have undergone rigorous screening by the federal government and a highly qualified scientific review panel… …No, the grants are very competitive. If you receive one that is good due diligence, and it is deserving a match… …I would prefer current evaluation process. The likelihood of successful commercialization has already been evaluated by the SBIR/STTR agencies, so another evaluation would only be too burdensome for both the company and the county… …Please do not change anything… …I don't know how well a 3rd party could actually evaluate the commercial potential. The NIH SBIR program already vets for that... …NSF is trying to build companies and therefore they are stronger decisionmakers… …Keep it the same but try to secure more funds to help more companies. The strength of your program is that you leverage the NIH and world-famous scientists that review these SBIR patents to prioritize the companies you should be supporting. Why waste resources reestablishing this review process… …Peer review is really hard to do well, and I think it was a good idea to rely on the NIH and NSF review boards to do this… …You rely on NSF or NIH to say that there's scientific merit. If the companies have already gone through commercial and scientific review, then there's not a lot of benefit to do another review. Make the funding available to support the companies. Try to get more funds or divvy them up more fairly… …3rd parties typically are biased and don't have expertise – NIH grant reviewers have focused expertise; even if the county hires 10 people to evaluate the grants they don't have the experience in all technologies… …By definition, if a project was awarded a SBIR grant, it has been reviewed by relevant experts selected by the NIH…"

Two companies thought 3rd party evaluation could be helpful if the process were fair and did not require too many County resources to manage and implement. One of these firm's highlighted the County's large scientific community as a resource which could be tapped to support the County with 3rd party vetting advisory services. Another firm recommended adjusting the first-come, first-serve process to provide for matching grant deadline dates to occur several times throughout the year, paralleling the federal award dates, so that funding would still be available to those awarded federal funds late in the County's fiscal year.

F. Limiting the Number of Matching Grants per Company

About a third of the survey respondents said they were comfortable limiting awards so that the dollars could be distributed among other applicants. Some suggested more matching grants should be offered to Phase 1 recipients who are deep in the R&D process, while others

suggested Phase 2 recipients are closer to commercialization where the matching awards could be even more valuable. A suggestion was made to cap the number of matching grants to a company not based on prior grant distribution but rather on other measures of a company's size or sustainability *"Perhaps market cap or number of employees beyond a certain size are better indices to indicate a company can stand on its own*." Others acknowledged that "although *SBIR/STTR grants are awarded on a project-by-project basis, not on a company basis, …it would be beneficial to limit the number of awards to a certain number (e.g., up to three) in order to support a larger number of companies with limited funds".*

G. Changing the Funding Distribution between Phase 1 and Phase 2 Awardees

Five companies received both Phase 1 and Phase 2 Matching Grants from the County. These firms were asked if it would be better to offer limited funds to more Phase 1 recipients than Phase 2. (Under the current program, a $75K investment could be awarded to 3 different Phase 1 awardees but only to one Phase 2 awardee.) Most respondents supported providing more funding to Phase 1 Recipients, some suggesting reducing the Phase 2 match to $25K or $50K. Several suggested keeping the distribution as is and stated that Phase 2 companies are closest to commercialization success and the ability to give back to the County.

H. 3rd Party Consultants to Support Federal Grant Applications

Survey respondents were asked to comment on the value of the County providing or subsidizing 3rd party consultants to support the Phase 0, 1 or 2 application development process. Two thirds of the respondents said application assistance would not be a valuable use of funds and that they would prefer resources go directly to companies through the matching program rather than to SBIR consultants. Others suggested a list of trusted SBIR consultants might be valuable for Phase 1 applicants while funding for services such as copyediting and figure drawing to strengthen Phase 2 applications would be helpful. Three of the companies supporting SBIR consultants are BHI application assistance clients, and a fourth stated that the County already was paying BHI for these services and suggest the County require BHI to provide consulting services to companies awarded Phase 1 matching grants to help them prepare their Phase 2 applications.

I. Alternative County Support for Companies

Survey respondents were asked for their suggestions regarding other County support which would be helpful to them. Their suggestions included: affordable wet lab space; access to scientific subscription publications; business commercialization/management consulting services; directory/introductions to local investment and business experts; funding; more funds for BIITC match; SBIR application support; mentors; networking opportunities; biotech partners (i.e. business development, CMO, CRO, cytometry analysis facility); PR

support; early stage funding; and workforce assistance especially for specialist positions (i.e. electrical engineering, process development, regulatory).

VI. Executive Branch Recommendations:

Executive staff have reviewed the MCEDC and BHI recommendations and the input from the Montgomery County SBIR/STTR Matching Grant Award Recipients and considered the interest the PHED Committee expressed in adjusting the current SBIR/STTR Matching Grant Program.

To that end, staff recommends adjusting the existing local SBIR/STTR Matching Grant Program parameters to provide support to Phase 0 companies (those who have not yet received a Federal SBIR/STTR award), continued support for Phase 1 companies who are developing technologies and preparing for Phase 2 applications with limitations on eligibility, and continued support for Phase 2 companies with limitations on eligibility and a reduced matching grant. Additional recommendations to expand the positive impact of this program are included below.

Executive staff recommendations are as follows:

A. **Include additional qualification requirements to the current program**, including:
   - Phase 0 applicants ($5,000 grants) (up to 15 grants per year)
     - Expand the program to allow for any company which has not yet received a Federal SBIR/STTR award to apply for a grant that would reimburse costs up to $5,000 to the company for hiring an independent, third-party to assist in the development of a federal Phase I SBIR/STTR research and development proposal.
     - Limit two Phase 0 grants/company.
   - Phase 1 applicants ($25,000 matching grants – 50% unrestricted)
     - 20 or fewer employees
     - In operation 5 years or less
     - Have received no more than two (2) Federal SBIR/STTR Phase 1 awards
     - Have not received any Phase 2 awards
     - Limit two Phase 1 grants/company.
   - Phase 2 applicants ($50,000 matching grants – 50% unrestricted)
     - 20 or fewer employees
     - In operation 7 years or less
     - Have received no more than four (4) Federal SBIR/STTR Phase 1 awards
     - Have received no more than one (1) Federal SBIR/STTR Phase 2 award
     - Limit one Phase 2 grant/company.
   - For all programs, there will be two application periods per year starting July 1 and January 1.
   - For Phase 1 and Phase 2 grants, 50% of funding will reimbursed for actual expenses incurred by the company, which are not duplicated by other Federal or State funding sources, for:

- Technical Assistance: support services to train companies to write and submit successful SBIR/STTR grant applications.
- Investment Assistance: business mentoring to help companies develop and execute successful funding strategies to acquire follow-on funding; and / or
- Commercialization Assistance: business consulting to help companies develop and execute commercialization strategies for their SBIR/STTR funded research.

B. Provide annual funding ($100,000) for an SBIR Navigator position within MCEDC to provide dedicated expertise to help eligible Montgomery County companies. This expertise would help companies be better prepared to submit and win SBIR / STTR funding, and, to better leverage these funds, including multiple federal, state, and private programs which exist and should be utilized to increase the benefit of this program. The County would provide $75,000 annually for this position and require MCEDC to provide at least $25,000 annually for any additional salary and benefit costs.

C. MCEDC will use the SBIR Navigator to prepare, maintain, and market a list of Qualified Consultants, state, and federal programs (i.e., TABA) that can provide technical and business assistance to support County companies interested in applying for Federal SBIR/STTR grant funding. MCEDC will conduct outreach directly and through partner organizations to innovators in historically underrepresented populations and ensure that promotion of federal diversity programs is part of this initiative.

D. BHI would have the opportunity to serve a much larger number of companies as a service provider for County, State and Federal programs. BHI, under its "fee for service" program, served five county companies in CY2019 and four county companies in CY2020; under its FY2020 contract funding from MCEDC, BHI served 13 very early stage participating companies with 191 hours of consulting services.

Sec. 20-76E. Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program.

(a) *Definitions.* As used in this Section:

Director means the Director of Finance or the Director's designee.

Small Business Innovation Research Grant or SBIR means the congressionally-mandated set-aside program by that name for U.S. small businesses to engage in research and development that has a strong potential for commercialization.

Small Business Technology Transfer Grant or STTR means the congressionally-mandated set-aside program by that name for U.S. small businesses to engage in research and development that has a strong potential for commercialization.

(b) *Grant Program.* The Director of Finance must pay, subject to appropriation, a SBIR or STTR Matching Grant to each business who meets certain eligibility standards.

(c) *Eligibility.* A business is eligible to receive the matching grant if the business:

(1) has been awarded a SBIR or STTR Phase I or Phase II grant during the current calendar year to conduct research in medicine, biotechnology, or life sciences; and

(2) conducts at least 51% of its research and development operations at a physical location in the County.

(d) *Regulations.* The Executive may adopt regulations under Method (2) to implement this Section.

(e) *Amount of grant.*

(1) An eligible business may receive:

(A) a match of 25% of a SBIR or STTR Phase I grant, up to a maximum of $25,000; or

(B) a match of 25% of a SBIR or STTR Phase II grant, up to a maximum of $75,000.

(2) an eligible business may receive only:

(A) one County matching grant under this Program each year; and

(B) a total of five County matching grants under this Program.

(f) *Administration.*

(1) The Director must administer the Program.

(2) The Director must require a business to enter into an agreement under Section 20-75(f), including an agreement to pay back any grant payments received if:

(A) the business does not remain in the County for a minimum time period specified in the agreement; or

(B) the business uses the payment for an unauthorized purpose.

(3) Grants must be awarded on a first-come, first-served basis.

(4) An eligible business that does not receive a grant due to lack of available funding may be awarded a grant in the following year.

(5) The Director must reserve 50% of the appropriated funds for eligible businesses receiving a Phase I grant and 50% of the appropriated funds for eligible businesses receiving a Phase II grant.

(g) *Sunset.* This Section is not effective after July 1, 2025 (2018 L.M.C., ch. 4, §1; 2019 L.M.C., ch. 23, §1; 2021 L.M.C., ch. 5, § 1.)