

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 867

(Senator Hester)

Education, Energy, and the Environment

Health and Government Operations

Cyber Maryland Program - Revisions

This bill transfers the Cyber Maryland Program, including the Cyber Maryland Fund and Cyber Maryland Board, from the Maryland Technology Development Corporation (TEDCO) to the Maryland Department of Labor (MD Labor). The bill also (1) repeals mandated funding (\$99,000 annually) for talent pipeline management and an additional discretionary authorization; (2) expands the program’s required activities, including awarding new competitive grants or contracts; (3) authorizes a fiscal 2026 discretionary appropriation of \$3.1 million for the new grants; (4) authorizes the Governor to include an appropriation sufficient to run the program beginning in fiscal 2027; (5) alters language requiring the Governor to include an appropriation sufficient for the program to instead *authorize* the Governor to include funding as specified; (6) authorizes additional uses for the fund; (7) adjusts the composition of the board; and (8) makes technical and conforming changes. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Net general fund expenditures and special fund revenues and expenditures increase by \$3.0 million annually beginning in FY 2026, reflecting a decrease in funding for TEDCO (\$99,000 annually) and an increase in funding for MD Labor (\$3.1 million annually) due to the transfer of the program, contingent actions in the budget as introduced, and assumed annual funding beginning in FY 2027. **This bill eliminates a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
GF Expenditure	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
SF Expenditure	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
Net Effect	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Potential increase in grant revenues for local government entities. Expenditures are not directly affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Modification of Funding

Repeal of Funding Mandates: The bill repeals language requiring the Governor to include \$99,000 in the annual budget bill for the Cyber Maryland Fund to be used for talent pipeline management. Instead, for fiscal 2026, the Governor *may* include \$3.1 million for the awarding of grants and contracts for information technology or operational technology. Beginning in fiscal 2027, the Governor also may include in the annual budget an amount sufficient to *run the program*. The bill also alters existing language that, although not a mandate, requires the Governor to include an amount sufficient *for the program* by specifying (1) that the Governor instead *may* include such funds in the annual budget bill and (2) that an amount sufficient for the program includes funding sufficient to hire staff to carry out its duties.

Alternate Funding Sources: The Cyber Maryland Program must seek alternate funding sources to include cost-sharing or cost-matching agreements from sources other than the State, including the federal government, the private sector, and philanthropy, to supplement the money appropriated to the fund.

Expansion of the Cyber Maryland Program

The bill expands the Cyber Maryland Program's required activities to include developing, promoting, supporting, and investing in talent improvement strategies such as strategies that leverage the U.S. Chamber of Commerce Talent Pipeline Management Approach.

Information Technology or Operational Technology Grants: The bill requires that, beginning in fiscal 2026, the program award competitive grants or contracts to enhance cybersecurity workforce development, including cybersecurity for operational technology.

Targeting of Resources: Uncodified language specifies the General Assembly's intent (1) that funding may be allocated to provide \$1.0 million for cybersecurity clinics, including clinics related to operational technology as specified and (2) that the balance of the Cyber Maryland Fund be used to implement initiatives approved by the Cyber Maryland Board. Such initiatives include strategies to support transitioning veterans, existing worker training, education for kindergarten through 12th grade students at summer camps, the Maryland Statewide Computing Alignment to Locate your Education Scale

portal, a marketing campaign for the Cyber Maryland Brand to attract talent to the State, and others outlined in the statewide strategic plan.

Expanded Eligibility for Grants: The bill also expands the authorized uses of the Cyber Maryland Fund to include additional eligible recipients of grants. Under the bill, eligible grant recipients include registered apprenticeship sponsors, local workforce development boards, industry associations, labor unions, local governments, local or regional economic development entities, and other relevant partner entities at MD Labor’s discretion.

Cyber Maryland Board

The bill transfers the Cyber Maryland Board to MD Labor and adjusts board composition by adding representation from the Secretary of Higher Education and the State Superintendent of Schools. The bill repeals the Governor’s authority to remove an appointed member of the board for incompetence, misconduct, or failure to perform the duties of the position. Under the bill, the membership of the board must, to the extent practicable, reflect the racial, gender, age, and geographic diversity of the State. Finally, the board must adopt bylaws that establish staggered terms for members and procedures governing vacancies in membership.

Cyber Maryland Reporting Requirements

The bill modifies the existing annual report for the program to reflect the transfer and additional requirements. Accordingly, beginning December 1, 2026, the Cyber Maryland Program, in conjunction with MD Labor, must submit a report on the operation and performance of the program to the Governor and the General Assembly. The report must include (1) key performance metrics established by MD Labor that are aligned with the State strategy and goals for the program and (2) the progress of the program against those metrics.

By December 1, 2026, the Cyber Maryland Program, in conjunction with MD Labor, must report to the Governor and the General Assembly on cyber workforce program activities determined relevant by the program through collaboration with relevant departments and entities including (1) Employment Advancement Right Now Program; (2) Pathways in Technology Early College High School; (3) Cyber Public Service Scholarship; (4) Maryland Technology Internship Program; (5) Maryland Institute for Innovative Computing; (6) Accelerating Cyber Careers Program; (7) University of Maryland Baltimore County’s Center for Cybersecurity; (8) Build Our Future Grant Pilot Program; and (9) registered apprenticeships in cybersecurity. The report must capture certain specified data including program outputs, outcomes, performance targets, and if possible, the return on program investments.

Current Law: Chapter 578 of 2023 established the Cyber Maryland Program in TEDCO to 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. The Act also created the Cyber Maryland Fund as a special, nonlapsing fund, and the Cyber Maryland Board. Under Chapter 509 of 2024, TEDCO also administers the fund.

The program must conduct ongoing research by collaborating with specified entities to collect and analyze real-time industry data to identify cybersecurity workforce needs as described in the U.S. Chamber of Commerce Talent Pipeline Management Approach. The program must also (1) use the results of its research to increase the effectiveness of existing State cybersecurity workforce programs for employers in the State; (2) facilitate partnerships for new training and education programs to address the workforce needs identified in the program's research; and (3) develop a statewide strategic plan for cybersecurity workforce development.

The Cyber Maryland Fund consists of money appropriated in the State budget and any money from any other source accepted for the benefit of the fund. The purposes of the fund are to facilitate the Cyber Maryland Program's achievement of the program's specified purposes and support innovative approaches to meeting cybersecurity workforce needs. Funds may only be used for (1) administrative expenses of the program, including hiring staff, consultants, and other professionals as specified and (2) providing grants to elementary and secondary schools, institutions of higher education, including community colleges, for-profit corporations, and nonprofit organizations to operate cybersecurity programs based on the strategic plan of the Cyber Maryland Program. TEDCO must adopt regulations to award grants under the program.

As updated by Chapter 509, the fund is subject to a mandated appropriation requiring the Governor to include \$99,000 in the annual budget bill for the fund to be used for talent pipeline management. Additionally, current law authorizes, but does not require, the Governor to include an additional \$250,000 in the annual budget bill beginning in fiscal 2025 that, subject to the availability of funding, must be used for implementing the U.S. Chamber of Commerce Talent Pipeline Management Approach. Chapter 578 also authorized funds from the Dedicated Purpose Account (DPA) to be transferred by budget amendment to implement the Act beginning in fiscal 2025. Although not a mandated appropriation, current law also requires the Governor to include an appropriation in an amount sufficient for the program.

For more information on TEDCO, see the **Appendix – Maryland Technology Development Corporation**.

State Fiscal Effect: The fiscal 2026 budget as introduced includes actions contingent on the passage of legislation moving the Cyber Maryland Program and Cyber Maryland Fund to MD Labor. The bill effectuates those contingent actions. (More specifically, the budget includes \$99,000 in general funds for TEDCO for the Cyber Maryland Program, in accordance with the existing mandated appropriation; however, contingent language eliminates that appropriation with the program and fund moving to MD Labor. The budget also includes a \$3.1 million general fund appropriation to MD Labor, contingent on the program and fund moving to the department.) Accordingly, general fund expenditures increase by a *net* \$3.0 million (\$99,000 decrease for TEDCO and \$3.1 million increase for MD Labor) in fiscal 2026, with a commensurate net increase in special fund revenues and expenditures for the Cyber Maryland Fund.

While not mandated by the bill, this analysis reflects funding at that \$3.1 million level in the out-years as the bill anticipates that MD Labor continues to implement a competitive grant program. Also, although the fiscal 2026 budget as introduced includes \$2.0 million in DPA funds for cyber workforce grants made under the Cyber Maryland Program (which increases total funding to \$5.1 million), that DPA funding is *not* contingent and, therefore, is not reflected in this estimate; it is also not projected to continue in the out-years.

TEDCO advises that the program currently operates with one executive director paid using the Cyber Maryland Fund, as administrative expenses of the program are an allowable use of the fund. TEDCO further advises that, since all administrative expenditures for the program are paid using the Cyber Maryland Fund, the bill has no fiscal impact to TEDCO beyond the transfer of the Cyber Maryland Fund. TEDCO employees are not State employees; however, MD Labor anticipates re-hiring or transferring the existing executive director position as part of the program transfer.

MD Labor further advises that administration of the program entails time commitments from existing staff. The Department of Legislative (DLS) assumes that such time commitments are manageable within the existing resources of MD Labor.

Additionally, MD Labor advises that its Office of the Secretary and Division of Workforce Development and Adult Learning (DWDAL) Office of Strategic Initiatives (OSI) require staff support beyond the executive director to manage the grant program. MD Labor advises that staffing requirements include a program manager for the Office of the Secretary and two grant managers in OSI. MD Labor further advises that these positions are likely sufficient to handle the bill's expanded annual report and new reporting requirement on cyber workforce program activities. Based on these requirements, DLS estimates the cost of staffing for the Cyber Maryland Program, including the executive director position expected to transfer from TEDCO, to be approximately \$412,000 in fiscal 2026, which reflects immediate transfer of the executive director and a 90-day start-up delay from the bill's July 1, 2025 effective date for the additional staff. Those costs

are expected to increase to more than \$450,000 in the out-years due to annualization, inflation, and ongoing costs. Any such personnel costs are assumed to be paid from the Cyber Maryland Fund and, therefore, do not add to the bill's fiscal effect. However, they reduce the amount of funds available for grants.

While the bill establishes that the Cyber Maryland Program must seek alternate funding sources to include cost-sharing or cost-matching agreements from sources other than the State, including the federal government, the private sector, and philanthropy, to supplement the money appropriated to the fund, the bill does not require any such monies to be *paid* to the special fund. Accordingly, this analysis assumes that requirement merely results in a *leveraging* of additional funding for the program, rather than additional monies flowing through the Cyber Maryland Fund. Moreover, MD Labor advises that DWDAL already regularly pursues such discretionary grant opportunities and strategic connections with partners.

Local Revenues: Under the bill, local governments, local workforce development boards, and local or regional economic development entities are eligible for grants made from the Cyber Maryland Fund. To the extent that MD Labor adopts standards that result in additional grants being awarded to such local entities or to the extent additional funding effectuated by the bill allows grants to be made to local entities already eligible under current law, local revenues increase.

Small Business Effect: Small cybersecurity businesses that receive grant funding from Cyber Maryland benefit from the additional appropriated funds effectuated by the bill. In addition to greater funding, the bill expands allowable uses of the fund to include additional entities that may expand the number of small businesses eligible to receive funds.

Additional Information

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

Designated Cross File: HB 1468 (Delegate Forbes) - Health and Government Operations.

Information Source(s): Department of Information Technology; Maryland Technology Development Corporation; Department of Commerce; Maryland State Department of Education; Maryland Department of Labor; Department of Legislative Services

Fiscal Note History:
js/mcr

First Reader - March 6, 2025

Third Reader - March 24, 2025

Revised - Amendment(s) - March 24, 2025

Revised - Clarification - March 24, 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.