

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1585

(Delegate B. Barnes)

Ways and Means

Budget and Taxation

Economic Development - Maryland E-Nnovation Initiative Program - Extension and Alterations

This bill requires the Governor to continue funding the Maryland E-Nnovation Initiative (MEI) Program from fiscal 2022 through 2026 at the current level of at least \$8.5 million annually. Tax revenues from specified electronic bingo and tip jars likewise continue to be diverted to the MEI Fund (MEIF) in those years. Additionally, individuals in endowment-funded positions under the program must work at least 20% of the year, instead of one day each week, in specified circumstances. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund revenues decrease by \$9.1 million annually from FY 2022 through 2026. Special fund revenues and expenditures increase correspondingly as funds are received and distributed under the program. Higher education revenues and expenditures also increase over that period as discussed below. **This bill extends a mandated appropriation through FY 2026.**

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	\$0	(\$9.1)	(\$9.1)	(\$9.1)	(\$9.1)
SF Revenue	\$0	\$9.1	\$9.1	\$9.1	\$9.1
Higher Ed Rev.	\$0	\$5.9	\$5.9	\$5.9	\$5.9
SF Expenditure	\$0	\$9.1	\$9.1	\$9.1	\$9.1
Higher Ed Exp.	\$0	-	-	-	-
Net Effect	\$0.0	(\$3.2)	(\$3.2)	(\$3.2)	(\$3.2)

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

Local Effect: Local revenues and expenditures increase from FY 2022 through 2026 to the extent that community colleges apply for and receive program funding, as has occurred under the current program.

Small Business Effect: None.

Analysis

Current Law/Background: Chapters 532 and 533 of 2014 created the MEI Program, MEIF, and the MEIF Authority in the Department of Commerce. The Acts require MEIF to receive a total of at least \$8.5 million annually from fiscal 2016 through 2021. Subject to specified eligibility requirements, nonprofit institutions of higher education in the State may create research endowments and, upon securing matching private donations, MEIF funds may be distributed to the endowments. Investment earnings on the endowments must be expended to further basic and applied research in scientific and technical fields of study as specified by the Acts and as determined by the MEIF Authority.

Funds were first awarded in fiscal 2016. Commerce advises that there are 40 active grant recipients at 11 nonprofit institutions of higher education totaling \$40.7 million (following 2 rescinded awards for noncompliance with grant agreements). The institutions currently utilizing funds are the College of Southern Maryland; Hood College; Johns Hopkins University; Loyola University Maryland; Maryland Institute College of Art; Mount St. Mary's University; Towson University; University of Maryland, Baltimore Campus; University of Maryland, College Park Campus; University of Maryland Eastern Shore; and Washington College.

State Fiscal Effect:

MEIF Revenues and Expenditures – Program Funding and Outlays

The existing \$8.5 million annual minimum funding requirement for MEIF is extended from fiscal 2022 through 2026, as is the diversion of revenue from specified electronic bingo and tip jars. The Comptroller's Office advises that those revenues are stable and total approximately \$9.1 million annually. Accordingly, this estimate assumes that general fund revenues decrease by \$9.1 million annually from fiscal 2022 through 2026, while special fund revenues and expenditures for MEIF increase correspondingly.

Commerce is required to administer the program and may use MEIF to pay for its associated costs. Allocated administrative costs for these services are currently about \$50,000 annually. To the extent that Commerce's administrative costs increase, less funding is available for institutions of higher education under the program.

MEIF Revenues and Expenditures – Higher Education Funding

Under the assumptions discussed above, approximately \$9.1 million is available for distribution to eligible nonprofit institutions of higher education annually from fiscal 2022 through 2026. Based on existing awards, this estimate assumes that 30% is allocated to *private* nonprofit institutions of higher education, 65% is allocated to public institutions of

higher education, and the remaining 5% is allocated to local community colleges. Under this assumption, revenues for public four-year institutions of higher education and Baltimore City Community College, a State institution, increase by \$5.9 million annually from fiscal 2022 through 2026 from grant funding. Higher education revenues further increase from interest earned on the endowment funds beginning in that year, while higher education expenditures increase as those interest earnings are used for eligible purposes.

Local Fiscal Effect: As noted above, community colleges have qualified for MEI Program funding in recent years. Local community college revenues and expenditures increase from fiscal 2022 through 2026 in the same way as for four-year public institutions of higher education.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 389 (Senator Miller, *et al.*) - Budget and Taxation.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Budget and Management; Department of Legislative Services

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