



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

Date: March 10, 2020
BILL NO.: House Bill 1585
TITLE: Economic Development – Maryland E-Nnovation Initiative Program - Extension and Alterations
COMMITTEE: House Ways & Means

Statement of Information and Amendments

House Bill 1585 seeks to extend the mandated funding for the Maryland E-Nnovation Initiative Program (MEIF) from FY 2021 through FY 2026 and increase it from \$8.5 million to at least \$12.5 million annually.

Additionally, this bill would allow for a nonprofit institution of higher education (NPIHE) to use endowment proceeds for the creation of start-up packages to attract world-class faculty through the funding of infrastructure and staff to assist the faculty member in their work and research.

This bill also changes two out of the three required options for an endowed professor to work one day each week in support of a federal laboratory or associated federal laboratory research support organization OR in support of entrepreneurial activities with a company engaged in one or more of the research areas to at least 20% of the year.

Chapter 533, Acts of 2014 created the Maryland E-Nnovation Initiative Fund (MEIF) Program and Authority (MEIFA). FY 2016 was the first year in which funds were awarded under the MEIF. Since the creation of the program, the MEIFA has awarded 42 research endowment plans at 13 nonprofit institutions of higher education (NPIHEs), in a total of \$42,838,250. However, after the MEIFA found two institutions to not be in compliance with the grant agreements, there are 40 grant recipients at 11 NPIHEs, totaling \$40,658,250.

The MEIF Program has been extremely popular since the inception of the program, with the demand exceeding the \$8.5 million available annually to the NPIHEs. The regulations have provided greater flexibility for smaller colleges and universities and even a community college to be successful in applying for and finding matching grants. The NPIHEs are huge proponents of this fund as they feel it adds a lot of value to their fundraising, research, and faculty recruitment and retention efforts.

Explanation of Amendments:

Amendment No.1: Alters the purpose paragraph.

Amendment No.2: Removes “start-up packages to attract world-class faculty” as an approved use of endowment proceeds.

House Bill 1585 would expand the use of the MEIF by the NPIHEs to use these funds to create a start-up package for endowed professors. This added provision would allow the NPIHEs to use state funding on expenditures outside of the current parameters and intent of the original legislation. This expansion also allows the NPIHEs to use state funds outside of the procurement guidelines. Currently, the NPIHEs may use their qualified donations for start-up packages and therefore do not need to use state funding on these types expenditures.

Additionally, Commerce has put more reporting requirements in place for the MEIF as a result of the findings from Commerce's Legislative Audit. After a close internal review of the MEIF program, Commerce found that some of the NPIHEs have used state funds on expenditures that are not within the guidelines of the legislation or regulations and Commerce is working to rectify these errors. Commerce believes that all state funds need to be monitored and held to the same standards as every other grant program administered by Commerce, and therefore requests an amendment to remove the "start-up package" language.

AMENDMENTS TO HOUSE BILL 1585
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, strike beginning with “altering” in line 6 down through “expended;” in line 7.

AMENDMENT NO. 2

On page 3, in line 21, strike the brackets; strike in their entirety lines 22 through 26, inclusive; in line 10, strike “**(3)**” and substitute “**(2)**”.