

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1060  
Economic Matters

(Delegates James and Rudolph)

Finance

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**Northeastern Maryland Additive Manufacturing Innovation Authority**

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This bill establishes the Northeastern Maryland Additive Manufacturing Innovation Authority and Fund. The Governor may, beginning in fiscal 2016, include funds in the State budget to partially support the Authority. However, any appropriation is contingent upon the commitment of Cecil and Harford counties to contribute funds to the Authority during the same fiscal year. It is the intent of the General Assembly that an appropriation equal at least two times the total amount committed to be contributed by Cecil and Harford counties in the same fiscal year. The Department of Business and Economic Development (DBED), the Cecil County Office of Economic Development, and the Harford County Office of Economic Development jointly must provide staff, office space, and operational support for the Authority. An executive board is established to manage the Authority and its corporate powers, and the board must appoint an executive director. The Authority must report by December 1, 2014, and annually thereafter to the Governor and the General Assembly.

The bill takes effect June 1, 2014.

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**Fiscal Summary**

**State Effect:** General fund expenditures increase by at least \$100,000 annually beginning in FY 2015 to partially support the Authority, which assumes that Cecil and Harford counties each contribute at least \$25,000 annually to the Authority. This estimate assumes the Authority hires an executive director in July 2014. FY 2015 expenditures may be less if the Authority delays the hiring. Special fund revenues for the Northeastern Maryland Additive Manufacturing Innovation Authority Fund increase correspondingly. Special fund expenditures from the fund increase by at least \$150,000 annually beginning in FY 2015, and may increase more in the out-years due to additional general fund appropriations and local government contributions for administrative and

operating expenses for the Authority and for grants issued under the bill. DBED can initially support the Authority with existing resources but may require additional staff in future years if the scope of the Authority increases. Any travel expenses for State members of the Authority’s executive board are assumed to be minimal and absorbable within existing budgeted resources. It is assumed that, although the bill’s effective date is June 1, 2014, any fiscal impact does not begin until FY 2015.

| (in dollars)   | FY 2015     | FY 2016     | FY 2017     | FY 2018     | FY 2019     |
|----------------|-------------|-------------|-------------|-------------|-------------|
| SF Revenue     | \$150,000   | \$150,000   | \$150,000   | \$150,000   | \$150,000   |
| GF Expenditure | \$100,000   | \$100,000   | \$100,000   | \$100,000   | \$100,000   |
| SF Expenditure | \$150,000   | \$150,000   | \$150,000   | \$150,000   | \$150,000   |
| Net Effect     | (\$100,000) | (\$100,000) | (\$100,000) | (\$100,000) | (\$100,000) |

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

**Local Effect:** Cecil and Harford counties may appropriate funds to the Authority annually to promote the purposes of the Authority, and they must jointly with DBED provide staff, office space, and operational support for the Authority. Any State appropriation is contingent upon the commitment of Cecil and Harford counties to contribute funds to the Authority and legislative intent is that an appropriation be at least two times the total amount contributed by the counties during the same fiscal year. Assuming sufficient total funding for the Authority, the *combined* contribution by Cecil and Harford counties is at least \$50,000 annually beginning in FY 2015, which may be a designated portion of the counties’ offices of economic development budgets, as provided for in the bill. Otherwise, both counties advise that they can support the Authority with existing personnel, and Harford County indicates it has available office space; to the extent this is not the case in future years, local government expenditures may increase further.

**Small Business Effect:** Meaningful for small businesses engaged in additive manufacturing or that are part of the supply chain for additive manufacturing who may receive grants and/or additional resources from the Authority under the bill.

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## Analysis

**Bill Summary:** The Northeastern Maryland Additive Manufacturing Innovation Authority is established as a tax-exempt body politic and independent unit that the Governor may not place in a principal department of State government. The purposes of the Authority are (1) to foster economic development of the region by promoting collaboration among government, businesses, educational institutions, entrepreneurs, and innovators and leveraging the established “additive manufacturing” investments in the counties, including facilities at Aberdeen Proving Ground and (2) to position the State as a leader in additive manufacturing. “Additive manufacturing” means a process of joining

materials to make objects from three-dimensional model data, usually layer upon layer, as opposed to subtractive manufacturing methodologies (for example, carving an object from a solid block).

DBED, the Cecil County Office of Economic Development, and the Harford County Office of Economic Development jointly must provide staff, office space, and operational support for the Authority. To further the purposes of the bill, the Authority must:

- foster collaborative efforts, including public-private partnerships and memoranda of understanding, among government agencies, military installations, educational institutions, businesses, nonprofits, individuals, and other entities to (1) share resources, including existing manufacturing infrastructure; (2) cooperate in the development of new products and processes; and (3) bridge gaps between research, product development, and the commercial application of new technologies;
- facilitate the involvement of specified institutions of higher education in developing and sustaining a skilled additive manufacturing workforce through degree, certification, specialized training, and continuing education programs;
- assist the Cecil and Harford county public school systems in preparing students for employment in the additive manufacturing workforce;
- obtain, coordinate, and disseminate marketing resources to promote and enhance additive manufacturing opportunities and investment in the region;
- support priority access to workforce training funds and enterprise investment tax credits for entities that are investing resources and creating jobs in the region;
- pursue federal, State, local, and other public and private funding and collaboration initiatives; and
- perform any other function consistent with the purposes of the bill.

The Authority may (1) employ, as regular employees or as independent contractors, additional staff that the Authority considers necessary; (2) retain any professional consultants that the Authority considers necessary; and (3) select and retain its own legal counsel or use the Attorney General as its legal counsel. The Authority may also make grants from the fund to further the purposes of the bill.

The Authority must cooperate with State and local units that have relevant statutory functions and duties.

### *Funding for the Authority*

The Northeastern Maryland Additive Manufacturing Innovation Authority Fund is established as a special, nonlapsing fund to implement the bill and is administered by the Authority. The State Treasurer must hold the fund separately, and the Comptroller must account for the fund. The fund consists of (1) money appropriated in the State budget; (2) money appropriated by Cecil and Harford counties; (3) money made available to the fund through federal programs; (4) interest and investment earnings of the fund; and (5) any other money from any other source accepted for the benefit of the fund. Money provided to the fund that is not awarded by the end of the fiscal year remains in the fund.

The fund may only be used to provide grants for projects that further the purposes of the bill and to pay the administrative and operational expenses of the Authority.

Subject to specified documentation requirements, by August 1 of each year, the Authority must submit its proposed work programs and operating budget for the following fiscal year to DBED. After review, DBED must forward the submission and any recommendations to the Department of Budget and Management for consideration.

The bill specifies that the State and Cecil and Harford counties may jointly finance the Authority and its activities. The Governor may include in the State budget an appropriation beginning in fiscal 2016 to partially support the Authority, and the governing bodies of Cecil and Harford counties may appropriate funds to the Authority annually to promote the purposes of the Authority. Any State appropriation is contingent upon the commitment of Cecil and Harford counties to contribute funds to the Authority, and legislative intent is that an appropriation be at least two times the total amount contributed by the counties during the same fiscal year. A county appropriation may be a designated portion of the budget of the county's Office of Economic Development. The Authority may accept additional money from any other public or private source.

### *Executive Board and Director*

An executive board is established with specified voting and nonvoting membership to manage the Authority and exercise its corporate powers. Generally, board member terms are four years, subject to specified conditions. The board must elect a chair from among its members. A member of the board may not receive compensation but is entitled to reimbursement for travel expenses as provided in the State budget.

By August 1, 2014, and continuing until July 1, 2015, the board must hold at least one regular meeting each month. After July 1, 2015, the board must hold meetings quarterly or more often if necessary to implement the bill. The board may establish committees to conduct its work, and the membership of a committee may include individuals who are not members of the board, including representatives of manufacturing, design, and other related industries.

The board must appoint an executive director, who serves at the pleasure of the board, is paid a salary determined by the board, and is the chief administrative officer of the Authority. The executive director must manage the administrative affairs and technical activities of the Authority in accordance with policies and procedures that the board establishes.

#### *Miscellaneous Powers and Provisions*

The Authority may (1) adopt a seal; (2) sue or be sued; (3) adopt bylaws and rules for the conduct of its business; (4) enter into contracts and other legal instruments; (5) accept funding from a variety of specified sources; (6) include in any contract for financial assistance with the federal government any reasonable and appropriate condition imposed under federal law that is not inconsistent with the purposes of the bill; (7) create, own, control, or be a member of specified business entities; and (8) do all things necessary or convenient to carry out the purposes of the bill.

The Authority is subject to the Public Information Act. The board and the officers and employees of the Authority are subject to the Public Ethics Law. The board is generally exempt from State procurement law except the Minority Business Enterprise program, and it must adopt written policies and procedures for procurement.

By December 1, 2014, the Authority must submit an update to the Governor and the General Assembly on the Authority's activities in implementing the bill. Beginning December 1, 2015, the Authority must submit annually a complete operating and financial statement covering the Authority's activities during the preceding fiscal year.

**Current Law:** No State entity exists solely to promote additive manufacturing. A number of similar entities exist to promote economic development, such as the Maryland Economic Development Corporation, the Maryland Technology Development Corporation, and the Maryland Economic Development Authority and Fund.

**Background:** According to a report by the Society of Manufacturing Engineers, additive manufacturing is generally a process where thin horizontal slices of material are stacked progressively on top of one another to form a three-dimensional object. The process can involve several unique technologies. A well-known form of additive manufacturing is "3D printing," which is when a machine spreads layers of plaster or resin powder in a

similar fashion to an inkjet printer and then binds them together. Another form of additive manufacturing is laser sintering, in which a high-power laser is used to fuse plastic, metal, ceramic, or glass powders in cross section, and a new layer of powder is added to form each cross section.

According to a report by the Greater Baltimore Committee, 3D printing can be used in such varied applications as apparel design, biomedical research and patient care, defense contracting, and pharmaceuticals. There is an additive manufacturing facility at Aberdeen Proving Ground known as the Rapid Technologies and Inspection Branch. With this lab, the Army is able to design, build, test, and iterate new technologies quickly. Additional 3D printing programs also exist at Towson University and at the Community College of Baltimore County, among others in the State.

**State/Local Fiscal Effect:** At least \$150,000 annually in total funding is necessary beginning in *fiscal 2015* for successful implementation of the bill. This level of support covers the administrative and operating expenses for the Authority and allows the Authority to provide a limited number of grants, as authorized under the bill. The Authority's executive board is required to begin meeting in early fiscal 2015, and the board is required to hire an executive director.

Assuming sufficient State and local support is made available for successful implementation, general fund expenditures increase by at least \$100,000 annually to partially support the Authority. Due to the requirements noted above, this estimate assumes a State appropriation is made in fiscal 2015, even though the bill specifies that the Governor may include an appropriation to partially support the Authority beginning in fiscal 2016. Any State appropriation is contingent upon the commitment of Cecil and Harford counties to contribute funds to the Authority, and legislative intent is that an appropriation be at least two times the total amount contributed by the counties during the same fiscal year. Accordingly, special fund revenues increase by at least \$50,000 annually beginning in fiscal 2015 from local government contributions. Thus, special fund revenues for the Northeastern Maryland Additive Manufacturing Innovation Authority Fund increase by a total of \$150,000 from the general fund appropriation and local contributions.

Likewise, special fund expenditures from the fund increase by at least \$150,000 annually beginning in fiscal 2015 for administrative and operating expenses for the Authority and for grants awarded under the bill. The Authority is required to hire an executive director. Accordingly, expenditures of \$99,910 begin in fiscal 2015, which assumes a start date of July 1, 2014. Fiscal 2015 expenditures may be less if the Authority delays the hiring. This estimate reflects the cost of hiring one executive director to carry out the administrative functions of the Authority. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

|   |                 |
|---|-----------------|
| Position                                | 1               |
| Salary and Fringe Benefits              | \$94,960        |
| Operating Expenses                      | <u>4,950</u>    |
| <b>Total FY 2015 State Expenditures</b> | <b>\$99,910</b> |

It is assumed that remaining available funds after other required expenses are paid are used for grants to further the purposes of the Authority. Future year expenditures reflect annual increases in salary and employee turnover as well as annual increases in ongoing operating expenses. As the Authority may set the executive director's salary, and additional staff may be needed in the out-years under an expanded program, this estimate may differ significantly from actual staff expenditures.

DBED can initially support the Authority with existing resources but may require additional staff in future years if the scope of the Authority increases. Any travel expenses for State members of the Authority's executive board are assumed to be minimal and absorbable within existing budgeted resources. It is assumed that, although the bill's effective date is in June 1, 2014, any fiscal impact does not begin until fiscal 2015.

To the extent that Cecil and Harford counties provide support to the Authority with existing funding – using the option to designate a portion of their economic development budget for this purpose – and existing staff, total county expenditures are not affected. Nevertheless, such resources may be diverted from other priorities at the county level.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 889 (Senators Jennings and Glassman) - Finance.

**Information Source(s):** Department of Business and Economic Development, Department of Budget and Management, University System of Maryland, Maryland Higher Education Commission, Maryland State Department of Education, Cecil and Harford counties, Society of Manufacturing Engineers, Greater Baltimore Committee, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2014  
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