

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 252 (Chairman, Commerce and Government Matters Committee)
(Departmental - Department of Business and Economic Development and University
Commerce & Government Matters Referred to Economic & Environmental Affairs

Higher Education - Research and Development Activities

This amended departmental bill broadens the exemptions from conflict of interest standards under the State Ethics law for public senior higher education institutions personnel engaged in research and development activities. It provides that exemptions can occur only if: (1) the educational institution has adopted specified conflict of interest policies and procedures; and (2) the employee has complied with those policies and procedures. Each governing board of an educational institution must report annually to the Governor the number of exemptions granted and how its conflict of interest policies and procedures have been implemented in the preceding year.

An exemption may not be granted for a chancellor, vice-chancellor, president, vice-president, or individual who holds a similar position without the approval of the institution's governing board. If the Ethics Commission disagrees with an exemption, it must notify the governing board of the reason for its concern and attempt to resolve the disagreement. If the commission and the board are unable to resolve the disagreement, the commission must advise the Governor and the Legislative Policy Committee in writing of the basis for its concern.

The bill takes effect July 1, 1996.

Fiscal Summary

State Effect: The bill's requirements would not have a direct effect on State finances. However, to the extent this legislation spurs employment and economic development, tax revenues could increase and expenditures on certain assistance programs could decrease.

Local Effect: To the extent this bill spurs employment and economic development, local tax

revenues could increase.

Small Business Effect: The Department of Business and Economic Development has determined that the bill has a meaningful impact on small business (attached). Fiscal Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Effect: The bill addresses two provisions of current law that are seen as obstacles to commercialization of academic research activities:

- An educational institution cannot allow exemptions for faculty with management responsibilities.
- Exemptions are specifically provided for “sponsored research contracts.” This narrow definition may not cover all the types of research potentially commercialized. The bill changes “sponsored research” to “research.”

Both of these issues could become factors in the implementation of the proposed Institute of Human Virology (IHV) project, due to Dr. Gallo’s position as the director of the project, and the wide range of funded research possibilities. The Governor has made a commitment of \$9 million to the IHV over a three-year period from fiscal 1996 through fiscal 1998, with \$3 million to be included in the University of Maryland Biotechnology Institute each fiscal year.

Small Business Effect: Although Fiscal Services agrees that the bill’s requirements could result in enhanced employment and economic development, particularly in the area of biotechnology firms and suppliers, it notes that (1) most of the department’s impact analysis relates to how the bill benefits public universities, which are not small businesses; (2) economic development resulting from the bill may not necessarily be restricted to small businesses; and (3) small businesses unable to forge ties with university research staff could be adversely affected.

Information Source(s): University of Maryland System, Maryland Higher Education Commission, State Ethics Commission

Fiscal Note History: First Reader - February 5, 1996

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