

**Department of Legislative Services**  
 Maryland General Assembly  
 2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 984 (Senators Hester and Rosapepe)  
 Education, Health, and Environmental Affairs

**Department of General Services - State Innovation Program and Fund -  
 Establishment**

This bill establishes the State Innovation Program and related fund to allow State agencies to solicit the public for solutions to statewide issues and award monetary prizes up to \$75,000 for the submission of a solution. The program and fund are administered by the Secretary of General Services.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$329,100 in FY 2021 to develop the dedicated website, capitalize the fund, and administer the program. Out-year general fund expenditures reflect annualization and the termination of one-time costs; to the extent additional funding is needed for cash prizes, general fund expenditures may increase further. Special fund revenues increase in FY 2021, reflecting capitalization; out-year special fund revenues and expenditures also increase by indeterminate amounts depending on further capitalization and the number and size of cash awards that are made.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$150,000	-	-	-	-
GF Expenditure	\$329,100	\$89,800	\$91,600	\$94,900	\$98,200
SF Expenditure	-	-	-	-	-
Net Effect	(\$179,100)	(\$89,800)	(\$91,600)	(\$94,900)	(\$98,200)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** The State Innovation Fund is a special, nonlapsing fund to provide awards to an individual or entity that provides a solution to a challenge posted on the program's website. The fund consists of money appropriated in the State budget, reimbursements to the fund, interest earnings, and any other money accepted for the benefit of the fund. The accounts and transactions of the fund are subject to audit by the Office of Legislative Audits (OLA).

Program announcements, solicitations, and submission directions must be maintained on a publicly accessible website devoted to the program. Members of the public must be allowed to submit their solutions to statewide issues. Half of a monetary prize awarded by the program must be paid by the State agency that submitted the solicitation. A State agency may either pay half of the monetary prize directly to the awardee or reimburse the fund for the amount.

**Current Law/Background:** There is no authorization or mechanism in State law for agencies to solicit the public for solutions to statewide challenges, or to award cash prizes for solutions from the public.

The U.S. General Services Administration operates the [Challenge.gov](https://www.challenge.gov) website to allow federal agencies to invite ideas and solutions directly from the public. The website provides a toolkit for designing challenges, best practices, and case studies of public-sector prize competitions. As of March 7, 2020, the website had at least 24 active solicitations. According to the website, challenges have produced concepts for cost-effective clean water systems, robots that can set up life support and communications infrastructure on Mars, and self-driving cars. Each prize competition is structured differently.

### **State Fiscal Effect:**

#### *Funding for Cash Prizes*

The bill caps awards at \$75,000, one-half of which must be paid from the fund and the other half by the agency that sponsors a competition. This analysis assumes a first-year general fund appropriation of \$150,000 to capitalize the fund, which allows at least four awards to be made in fiscal 2021 (\$37,500 per award). It is assumed that agencies that sponsor a competition can assess submissions and cover their share of any resulting award with existing funds. This analysis does not assume specific amounts for award payments or appropriations to the fund in the out-years because those amounts depend on the number and size of awards made each year and the amount of repayments by sponsoring agencies. For instance, if no awards are made in the first year, the fund likely does not need another appropriation in fiscal 2022.

### *Administrative Costs*

The bill requires the Department of General Services (DGS) to manage the program on an ongoing basis, including developing and administering a dedicated website. This is a new and discrete activity for DGS, which cannot carry out the necessary functions with existing resources. Given the assumed relatively small size of the program, only half-time positions are needed. Therefore, general fund expenditures increase by \$179,089 in fiscal 2021, which accounts for the bill's October 1, 2020 effective date. This estimate reflects the cost of hiring a half-time program manager and a half-time webmaster to manage the program, coordinate with agencies, administer awards, manage the fund, and maintain and update the website. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Half-time Positions	2.0
Salaries and Fringe Benefits	\$68,833
Website Development	100,000
Operating Expenses	<u>10,256</u>
<b>Total FY 2021 DGS Administrative Expenditures</b>	<b>\$179,089</b>

Future year expenditures reflect full salaries with annual increases and employee turnover, termination of one-time expenditures for the website, and ongoing operating expenses.

OLA can include the fund in its audit of DGS with existing resources.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Budget and Management; U.S. General Services Administration; Department of General Services; Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 2020  
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