

**SB 473\_MACC\_FAV\_B.Phillips.pdf**

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**SENATE BUDGET & TAXATION COMMITTEE**

**TESTIMONY**

**Submitted by  
Dr. Brad Phillips, Executive Director  
Maryland Association of Community Colleges**

**February 16, 2022**

**SB 473** – Economic Development – Maryland E–Nnovation Initiative Program – Qualifying

**POSITION: Favorable**

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The Maryland Association of Community Colleges (MACC), representing Maryland's sixteen (16) community colleges, supports Senate Bill 473 and respectfully requests that the Committee issue a favorable report. This legislation enhances the ability of Maryland's community colleges to participate in the E-Nnovation Initiative Program.

As originally established, the Maryland e-Nnovation Initiative Program required a minimum donation or pledge of \$500,000 to qualify for the program. This legislation reduces the minimum pledge to \$200,000 for those institutions of higher education that have an unrestricted budget of less than \$250 M. This eliminates a major barrier for Maryland's community colleges that may be interested in participating in Maryland's E-Nnovation Initiative.

MACC thanks the sponsors for introducing this change to the E–Nnovation Program and asks the Committee to give it a favorable report.

# **SB473 - Economic Development - Maryland E-Innovation**

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*Charlotte Davis, Executive Director*

*John Hartline, Chair*

Testimony in Support of  
Senate Bill 473 - Economic Development - Maryland E-Nnovation Initiative Program - Qualifying Donations  
Budget and Taxation Committee  
February 16, 2022

**The Rural Maryland Council supports Senate Bill 473 Economic Development - Maryland E-Nnovation Initiative Program - Qualifying Donations.** This bill would benefit Maryland's smaller colleges and universities by lowering the required amount donated to a research endowment from \$500,000 to \$200,000 for colleges with an annual unrestricted current funds budget that is less than \$250 million. By lowering the endowment amount for these smaller colleges, it will allow them to receive more matching funds through the E-Nnovation fund. This would help colleges in rural parts of the State such as Frostburg State University and University of Maryland Eastern Shore.

The E-Nnovation fund awards colleges with matching funds for the private donations they receive for research endowments. The Current minimum donation is \$500,000. Since smaller colleges rarely receive large donations, they are unable to apply for the E-Nnovation matching funds. The \$200,000 donation is much more obtainable for smaller schools and gives them a better chance of receiving matching funds and private donations. If a college or university can obtain matching towards a private donation, private donors are more likely to donate knowing their funding will be matched.

The Rural Maryland Council respectfully requests your favorable support of Senate Bill 473.

*The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.*

**"A Collective Voice for Rural Maryland"**

**SB 473 - FAVORABLE - Mary Clapsaddle.pdf**

Uploaded by: Mary Clapsaddle

Position: FAV



To: Senator Guy Guzzone, Chair

Senate Budget and Taxation Committee

Date: February 16, 2022

From: Mary Clapsaddle, Director of Government Relations, Frostburg State University

**SENATE BILL 473 – Economic Development – Maryland E-Nnovation Initiative  
Program Qualifying Donations**

Good afternoon – again – Mr. Chairman and members of the committee. Thank you for the opportunity to provide testimony in **SUPPORT** of SB 473.

This program was created to support research and commercialization at institution of higher education by matching private donations to increase the size of research endowments. These endowments can support research faculty, graduate assistants, equipment, and/or collaborations with other entities.

Currently, the Maryland E-Nnovation Initiative Program requires a minimum of \$500,000 in single or bundled donations and pledges to qualify for a matching grant from the state. For small and medium sized institutions, this is a high bar.

As early as 2016, the Maryland E-Nnovation Initiative Fund Authority began to consider ways that smaller schools, with smaller donor bases, could effectively participate. Ch 258 of 2017 helped in that interest by allowing the use, in the short term, of other eligible funds, and this bill furthers that objective by creating a tiered system. At its meeting on December 2, 2021, the Task Force on the Economic Future of Western Maryland recommended that legislation be introduced so that institutions with an annual unrestricted current funds budget of less than \$250 million only need to obtain a qualifying donation, pledge, or combination of donations and pledges of \$200,000 instead of the current level of \$500,000. SB 473 implements that recommendation.

In the FY2023 budget, the following institutions have Current Unrestricted Appropriations of less than \$250,000, making them eligible for the reduced level of qualifying donations: Bowie State, UMES, Frostburg State, Coppin State, University of Baltimore, Salisbury University, UMCES and St Mary's College of Maryland.

It's true that even an endowment of \$400,000 doesn't throw off very much in investment earnings, but, if it's the policy of the State that institutions large and small have access to funds

to help endowed research efforts, you must start somewhere. In addition, once a research endowment is established and is successful in getting matching funds, it would be much easier to get more donations for the same purpose.

An institution doesn't need to be large or elite to have researchers and faculty in scientific and technical fields of study. The statute articulates these as: physical sciences; life and neurosciences; engineering; mathematical and computational sciences; regulatory science; autonomous systems; aeronautical and space science; environmental sciences; behavioral and language science; health sciences; agriculture; or cybersecurity.

As more schools are able to participate in the Program and retain and recruit faculty and university researchers and encourage collaboration among Maryland research universities, federal agencies, and the private sector (especially entrepreneurial companies), momentum builds for the entire State. The combination of top talent and collaboration can enhance the economic competitiveness of the State as it builds on existing clusters of research and innovation. Even in places where you may not expect it.

If the committee is concerned that additional participants would detract from the existing appropriation, I would not be opposed to an amendment increasing the mandate or seeking a supplemental appropriation from the Governor.

**For these reasons, and to level the playing field among institutions, we request a favorable committee report on SB 473.**

For more information, contact Mary Clapsaddle at [meclapsaddle@frostburg.edu](mailto:meclapsaddle@frostburg.edu) or 410-562-2838.

Frostburg State University is a constituent institution of the University System of Maryland

# **SB 473\_Commerce\_Informational.pdf**

Uploaded by: Jennifer LaHatte

Position: INFO





Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
R. Michael Gill | Secretary of Commerce  
Signe Pringle | Deputy Secretary of Commerce

**Date:** February 16, 2022  
**BILL NO.:** Senate Bill 473  
**TITLE:** Economic Development – Maryland E-Nnovation Initiative Program – Qualifying Donations  
**COMMITTEE:** Senate Budget and Taxation

### Statement of Information

Senate Bill 473 seeks to alter the minimum threshold from \$500,000 to \$200,000 for a qualified donation made to a research endowment of a Nonprofit Institution of Higher Education (NPIHE) that has an annual unrestricted current funds budget of less than \$250,000,000 for the Maryland E-Nnovation Initiative Program (MEIF).

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. Chapter 14, Acts of 2021 extended the MEIF. Since the creation of the program, the MEIFA has awarded 64 research endowment plans at 16 NPIHEs, in a total of \$64,628,250. However, after the MEIFA found two institutions to not be in compliance with the grant agreements, there are 62 grant recipients at 15 NPIHEs, totaling \$62,458,250.

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.

The way the fund is structured is that the NIPHEs can only spend on the earnings of the endowed fund. The fund is also meant to drive economic development and create an impact on the NIPHE and surrounding community, while providing funding for salaries, capital costs such as infrastructure and building/lab rehabs, equipment, etc. With a match this low, Commerce is unsure how the institution would cover all the costs of the professorship and show true impact/drive economic development. Additionally, over the last few years, Commerce has seen an increase in participation of smaller NIPHEs taking advantage of the matching funds to help drive donor participation.

It is Commerce's understanding that for an institution to move the needle for an endowment, at least \$1 million needs to be endowed. Of that, a small percentage of the annual income on the endowment can be spent each year (typically around 4-5%). Following this formula, if an endowment was only \$400,000, the max an institution could use to support the professor, the professor's salary, staff salary, research tools, and ultimately economic development would be

\$16,000 annually. Additionally, the only two institutions that would be above \$250,000,000 annual current unrestricted funds budget threshold is the University of Maryland College Park and the University of Maryland Baltimore. The lowering of the qualified donation could alter the intent of the original legislation and creation of the MEIF and minimize the impact these professorships have.