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Boyd Rutherford | Lt. Governor
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Date: February 23, 2022
BILL NO.: House Bill 730
TITLE: Economic Development – Maryland E-Nnovation Initiative Program – Qualifying Donations
COMMITTEE: House Ways and Means

Statement of Information

House Bill 730 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.