



SENATE EDUCATION, ENERGY, and the ENVIRONMENT COMMITTEE
House Bill 1179
University System of Maryland - Affiliated Foundations
April 4, 2023
Favorable

Chair Feldman, Vice Chair Kagan and members of the committee, thank you for the opportunity to testify on House Bill 1179. The bill would amend the section of the Education Article addressing affiliated foundations at the University System of Maryland (USM) to clarify that, under certain circumstances, university employees may, in accordance with the Maryland Public Ethics Law, serve as directors, officials, or employees of an affiliated foundation that is “organized to accept research grants for the benefit of the institution.”

Current law encourages public higher education institutions to “promote private fundraising by strengthening institutional development activities and by maintaining relationships with affiliated foundations.”

The USM Board of Regents has established a policy that governs approval and operation of all affiliated foundations. That policy requires the foundation to enter into an agreement with the Board of Regents formalizing the Board’s recognition of the foundation and limiting the scope of the foundation’s activities to those that are outside the normal scope of the institution’s operations.

The policy also requires the affiliated institution to develop a conflict of interest management plan for each university employee who performs operational duties for the foundation so that all parties interacting with the foundation understand the role and capacity of the university employee.

There are currently nine foundations that have a primary mission of accepting funds to benefit their affiliated campuses. (An additional seven support particular units or functions, such as athletics or specific schools). They support activities such as annual and major gift fundraising, advancement services, donor stewardship, and funds administration and management. Eight USM campuses report benefiting from the ability to use an affiliated foundation to accept certain grants; in aggregate, the value of these grants can range from \$3 to nearly \$12 million on an annual basis.

Maryland law permits university officials or employees to serve as a director, official, or employee of a foundation “organized to foster fundraising and provide related services for the benefit of the institution” without fear of running afoul of certain restrictions under the Maryland Public Ethics Law. Without such legal protection, the Ethics Law would prohibit such service as a conflict of interest.

House Bill 1179 would clarify current law by unequivocally extending that provision to foundations “organized to accept research grants for the benefit of the institution if (1) the foundation is a tax-exempt organization under section 501(c) (3) of the IRS code and (2) the university has determined that it cannot directly accept the research grant because of conditions required by the grantor.” Without such legal clarification, there is a concern that foundations that currently accept research grants would need to cease doing so, to the detriment of the universities.

For these reasons, we urge a favorable report for House Bill 1179.



About the University System of Maryland

The University System of Maryland (USM)—one system made up of 12 institutions, three regional centers, and a central office—awards 8 out of every 10 bachelor’s degrees in the State of Maryland. The USM is governed by a Board of Regents, comprised of 21 members from diverse professional and personal backgrounds. The chancellor, Dr. Jay Perman, oversees and manages the operations of USM. However, each constituent institution is run by its own president who has authority over that university. Each of USM’s 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes Historically Black Institutions, comprehensive institutions, research universities, and the country’s largest public online institution.

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