

**SB439\_USM.pdf**

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**SENATE FINANCE COMMITTEE**

**Senate Bill 439**

**Higher Education - High Impact Economic Development Activities - Alterations**

**February 6, 2025**

**Favorable**

Chair Beidle, Vice Chair Hayes and members of the committee, thank you for the opportunity to offer testimony on Senate Bill 439. The bill alters the definition of "**high impact economic development activity (HIEDA)**" requires the University System of Maryland (USM) and Board of Regents (BOR) to report information related to HIEDA. Senate Bill 439 couldn't be timelier. The BoR will be issuing a preliminary report with proposed modifications to **BOR Policy VIII-15.0 — Policy on High Impact Economic Development Activities** at the February meeting of the BOR and we will be sure to share them with the committee.

The USM is comprised of twelve distinguished institutions, and three regional centers. 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 three Historically Black Institutions, comprehensive institutions and research universities, and the country's largest public online institution.

Prior to 2012, USM employees' were constrained in their ability to participate in technology transfer and commercialization activities that were an important part of the System's strategic plan and overall state objectives at that time. In 2012, the passage and enactment of [House Bill 442](#) established the Maryland Innovation Initiative within the Maryland Technology Development Corporation providing long-sought flexibility and relief from state ethics law and procurement practices to help facilitate and encourage tech transfer and commercialization activities resulting in a significant economic impact for the institution, the USM or the State of Maryland.

Senate Bill 439 calls for accounting of the amount of state or university funds being used on each HIEDA during the preceding year; the net benefit of each HIEDA; and whether the BOR believes each HIEDA is in the best interest of the state. The bill also clarifies that HIEDA does not include cost savings related to the reduction in the number of university employees and eliminates the procurement language in the existing law.

Senate Bill 439 "dovetails" as the BoR examines the plausibility of the economic activity of each HIEDA, reviews the organizational documents associated with the creation of any new entity, and reviews business plans and financial proformas. The BoR will focus on a review of any institutional plans for managing conflicts of interest that may be identified. It is important to note that the current policy provides for ongoing monitoring and oversight, including annual audits of financial statements.

The USM believes evaluation and transparency of HIEDA entities, and the extent to which the objectives of each have been achieved, is critical to promote the state's economic interest in job

creation, commercialization, and entrepreneurship. The USM looks forward to a continued partnership and urges “favorable” on Senate Bill 439.



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Finance Committee

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Executive Nominations Committee

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Howard County Senate Delegation

*Secretary*

Asian-American & Pacific-Islander Caucus

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

SB439 – Higher Education – High Impact Economic Development Activities – Alterations

*Background*

- USM institutions are permitted by statute to create High Impact Economic Development Activities, or “HIEDA”s, for the purpose of economically benefiting the state.
- In 2024, the Office of Legislative Audits completed a report on University of Maryland Global Campus, citing the use of HIEDAs to support the university’s IT department.
- There was not documentation that these HIEDAs economically benefited the state, despite the fact that UMGC made up a substantial amount of their revenues and used sole source procurement for their services.

*What this bill does*

- SB439 places guardrails on the creation and use of HIEDAs by requiring USM Board of Regents to report annually the amount of state money used by a HIEDA, its net benefit, and whether the Board believes it is in the state’s best interest.
- Requires the Board to adopt policies that ensure that HIEDAs are used in the best interest of the state.
- Precludes cost savings related to reducing the number of university employees from being considered a High Impact Economic Development Activity
- Removes the exemption that allowed institutions to use single-source procurement with HIEDAs

*Why this bill is needed*

- The Office of Legislative Audits released an audit reporting that HIEDAs created by the University of Maryland Global Campus were receiving sole source contracts from UMGC, and UMGC was unable to account for their cost efficiency and benefit to the state.
- It is important to ensure that taxpayer money is used in the most cost-efficient manner possible. This bill recognizes that HIEDAs can have benefits to the state, but creates important guardrails to preserve taxpayer funds.