SB 601

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 601 (Senator Miller, *et al.*)
Budget and Taxation

Business and Economic Development - Maryland E-Nnovation Initiative Program

This bill establishes the Maryland E-Nnovation Initiative Program. The Maryland E-Nnovation Initiative Fund Authority (MEIFA) is established in the Department of Business and Economic Development (DBED) to solicit designated capital from insurance companies and corporations through a competitive process overseen by an independent third party in exchange for credits that can be used to offset either State insurance premium taxes or corporate income taxes (CITs). DBED is authorized to award a total of $50.0 million – in two $25 million auctions – in tax credits. Nonprofit institutions of higher education in the State may create research endowments and, upon securing matching private donations, auction proceeds may be distributed to the endowments. Investment earnings on the endowments must be expended to further basic and applied research in scientific areas as specified by the bill and as determined by MEIFA. DBED must administer the Maryland E-Nnovation Initiative Fund (MEIF) established under the bill and must adopt regulations to implement the bill.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Special fund revenues for MEIF increase by $7.0 million in each of FY 2015 and 2016, $14.0 million in FY 2017, and $7.0 million in each of FY 2018 and 2019 from payments of designated capital by insurance companies and corporations. General fund revenues decrease by $2.1 million in FY 2018 and $4.2 million in FY 2019 from tax credits applied to the insurance premium tax and CIT. For the same reason, Higher Education Investment Fund (HEIF) revenues decrease by $112,000 in FY 2018 and $225,000 in FY 2019, and Transportation Trust Fund (TTF) revenues decrease by $274,000 in FY 2018 and $547,000 in FY 2019. General fund, HEIF, and TTF revenues continue to decrease significantly from FY 2020 through 2025 as remaining tax credits are applied. Special fund expenditures for MEIF increase by $455,100 in FY 2015 for DBED administrative costs and significantly thereafter beginning in FY 2016 for ongoing

DBED administrative costs and allocations to nonprofit institutions of higher education. Higher education revenues increase beginning in FY 2016 from distributions from MEIF and from interest earnings. Higher education expenditures increase beginning in FY 2016 from interest earnings on endowments established under the bill. The Maryland Insurance Administration (MIA) can handle the bill's requirements with existing budgeted resources.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	$0	$0	$0	($2,113,900)	($4,227,700)
SF Revenue	$7,000,000	$7,000,000	$14,000,000	$6,613,900	$6,227,700
Higher Ed Rev.	$0	$4,581,400	$4,827,300	$9,461,500	$4,820,500
SF Expenditure	$455,100	$6,648,700	$7,379,800	$6,733,800	$7,005,200
Higher Ed Exp.	$0	-	-	-	-
Net Effect	$6,544,900	$4,932,700	$11,447,500	$7,227,700	($184,700)

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

Local Effect: Local highway user revenues decrease minimally beginning in FY 2018.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Program Overview

MEIFA will solicit cash (designated capital) from insurance companies and corporations through a competitive process overseen by an independent third party. In exchange for the cash received from the companies, DBED will provide tax credits that can be used to offset either insurance premium taxes or CITs over a five-year period beginning in calendar 2018. The bill authorizes DBED to award a total of $50.0 million – in two $25 million auctions – in tax credits under the program.

Designated capital is paid into MEIF established under the bill. Nonprofit institutions of higher education may create research endowments and, upon securing matching qualified private donations, money from the fund may be distributed to the endowments. The interest and other investment earnings on the endowments (endowment proceeds) must be expended to further basic and applied research in scientific areas as determined by MEIFA, including 11 specified areas in the bill, and can only be spent for staff salaries, for student research fellowships, and to purchase basic infrastructure, including lab equipment.

Maryland E-Nnovation Fund and Authority

MEIF is established as a special, nonlapsing fund in DBED. The Secretary of Business and Economic Development must manage and supervise the fund. The fund consists of (1) designated capital distributed to the fund under the bill; (2) money appropriated in the State budget; and (3) any other money from any other source accepted for the benefit of the fund. The State Treasurer must invest the money of the fund in the same manner as other State money may be invested. Any investment earnings accrue to the fund. Expenditures from the fund may only be made in accordance with the State budget.

DBED may use the fund to (1) finance research endowments at nonprofit institutions of higher education in scientific and technical fields of study and (2) pay the related administrative, legal, and actuarial expenses of the department.

The bill establishes a nine-member MEIFA within DBED. MEIFA consists of those members appointed to the Maryland Venture Fund Authority (MVFA), which was created by Chapter 409 of 2011 (Invest Maryland Program). The MVFA chair must serve as the chair of MEIFA. Members of MEIFA may not receive compensation but are entitled to reimbursement for expenses. MEIFA must provide advice to and consult with DBED in connection with the administration of the Maryland E-Nnovation Initiative Program.

Tax Credit Auctions and Designated Capital Payments

MEIFA must obtain the services of an independent third party to conduct a bidding process in order to secure tax credit purchasers for the program. Using procedures established by the third party, each potential purchaser must make a timely and irrevocable offer, subject only to DBED’s issuance to the purchaser of tax credit certificates, to make specified contributions of designated capital to DBED on specified dates.

Each offer must include the requested amount of tax credits, which may not be less than $5.0 million, the potential purchaser’s specified contribution for each tax credit dollar requested, and any other information required by MEIFA. The specified contribution for each tax credit dollar requested may not be less than the greater of (1) 70% of the requested dollar amount of tax credits or (2) the percentage of the requested dollar amount of tax credits that the Secretary, on the recommendation of the independent third party, determines to be consistent with market conditions as of the offer date.

The maximum amount of tax credits that may be allocated under the program for all years in which tax credits are allocated is $25 million for calendar year 2014 and $25 million for calendar year 2016.

For tax credits allocated under the program for calendar year 2014:

- The deadline for submission of applications for tax credits is February 1, 2015.
- Each potential purchaser must receive a written notice from DBED by May 1, 2015, indicating whether or not it has been approved as a purchaser and, if so, the amount of tax credits allocated.
- Designated capital committed by a purchaser must be paid into MEIF in three equal yearly installments due on June 1 of 2015, 2016, and 2017.
- A purchaser may claim up to 20% of the tax credit allocated to that purchaser in each calendar year from 2018 through 2022.
- Unused tax credit liability may be used by the purchaser without restriction during any calendar year after 2022.

For tax credits allocated under the program for calendar year 2016:

- The deadline for submission of applications for tax credits is February 1, 2017.
- Each potential purchaser must receive a written notice from DBED by May 1, 2017, indicating whether or not it has been approved as a purchaser and, if so, the amount of tax credits allocated.
- Designated capital committed by a purchaser must be paid into MEIF in three equal yearly installments due on June 1 of 2017, 2018, and 2019.
- A purchaser may claim up to 20% of the tax credit allocated to that purchaser in each calendar year from 2020 through 2024.
- Unused tax credit liability may be used by the purchaser without restriction during any calendar year after 2024.

On receipt of each installment of designated capital, DBED must issue a tax credit certificate to each purchaser representing a fully vested credit against either the insurance premium tax liability or the Maryland CIT liability equal to one-third of the total tax credits allocated to the purchaser. DBED must issue tax credit certificates containing specified information to purchasers in accordance with the bidding process selected by the independent third party on behalf of MEIFA.

The credit applied against insurance premium tax liability or CIT liability in any taxable year may not exceed the tax liability of the purchaser for that taxable year. Any unused credit against tax liability may be carried forward indefinitely until the tax credits are used and used without restriction after the first five years. Credits may be transferred under specified conditions.

A purchaser claiming a credit against insurance premium tax liability or CIT liability earned through an investment under the program is not required to pay any additional tax as a result of claiming the credit.

The bill establishes penalties and procedures in the event that a purchaser fails to make a contribution of designated capital within the time period that DBED specifies.

Distribution of Designated Capital to Create Research Endowments

Subject to specified conditions, the governing body of each nonprofit institution of higher education in the State may create and administer one or more research endowments to receive distributions from MEIF and "qualified donations."

A private donation to a research endowment must be considered a qualified donation if (1) the donation or pledge is expressly restricted by the donor for one or more of the eligible uses for MEIF proceeds under the bill; (2) the individual donation or pledge is a minimum of $500,000 or is bundled with other qualified donations to meet the $500,000 threshold; and (3) the nonprofit institution of higher education accepts the donation from specified entities. All or a portion of unrestricted gifts or bequests may also be designated by the institution for use as a qualified donation. A qualified donation excludes:

- any donation received by an institution prior to October 1, 2014;
- educational or general fees, auxiliary fees, or other student fees generated by the institution;
- proceeds from specified debt instruments or any other obligation of repayment by the governing body of an institution; or
- any other funds received from the State or federal government.

The president of each institution or the president's designee must make the initial determination of whether a donation constitutes a qualified donation. The president must also provide a report to the governing body of the institution at least once each fiscal year regarding the amount of qualified donations the institution has received.

Endowment proceeds must be expended to further basic and applied research in scientific areas as determined by MEIFA that offer promising and significant economic impacts and the opportunity to develop clusters of technological innovation in the State, including cyber technology, energy and environmental sciences, and space and aerospace sciences, among others. Proceeds may only be spent (1) for the base salaries of newly endowed department chairs and associated staff and support personnel; (2) to fund related graduate and undergraduate student research fellowships; and (3) to purchase basic infrastructure including lab equipment and other related materials.

An individual in a position funded by endowment proceeds must (1) work at least one day each week in support of a federal laboratory or associated federal laboratory research support organization or (2) hold a joint appointment or secondary position at another nonprofit institution of higher education in the State.

MEIFA must issue eligibility criteria regarding the expenditure of endowment proceeds to pay the base salaries of personnel, fund student fellowships, and purchase basic infrastructure.

The governing body of each institution must submit a research endowment plan with specified requirements to MEIFA before submitting its first request for a distribution of matching funds from MEIF.

Distributions from the Fund

Generally, MEIFA may make available up to 25% of funds in MEIF to a single institution to match qualified donations. An equal amount of qualified donations must be obtained by an institution prior to the distribution of matching funds. The institution must then submit a request with specified information to MEIFA. MEIFA must review each request for matching funds for compliance with the provisions of the bill and DBED regulations. If MEIFA approves the request, it must distribute matching funds to the applicable research endowment in an amount equal to the qualified donations.

By either July 1, 2018, or July 1, 2020, depending on which tax credit auction is applicable, each institution must deposit an amount of qualified donations equal to or greater than the total amount of funds allocated for distribution to the institution under the bill. If an institution does not deposit sufficient qualified donations by the deadline, allocated funds must be reallocated to another institution. If MEIFA has not distributed allocated funds by the respective 2018 or 2020 deadline, MEIFA may distribute additional funds to an institution that has previously received 25% of funds in MEIF.

Miscellaneous Provisions

In any case under the insurance law of the State in which the assets of a purchaser are examined or considered, the designated capital must be treated as an admitted asset, subject to the same financial rating as that held by the State.

DBED must submit to MIA (1) the names, addresses, and amount of designated capital to be contributed and premium tax credits earned by each successful bidder within 30 days after the close of the bidding process; (2) a copy of the tax credit certificate issued to each purchaser within 30 days after the issuance of the certificate; (3) the occurrence of a default by a purchaser; and (4) the transfer of premium tax credits by a purchaser.

Generally, State procurement law does not apply to a service that DBED obtains that is related to the investment, management, analysis, purchase, or sale of an asset of the department in a transaction authorized under the bill. However, DBED is subject to Title 12, Subtitle 4 of the State Finance and Procurement Article for these services. Section 10-305 of the State Finance and Procurement Article does not apply to the sale, lease, transfer, exchange, or other disposition of real or personal property, including a share of stock in a business entity that DBED acquires in a transaction authorized under the bill.

Beginning January 1, 2016, DBED must report annually to the Governor and the Senate Budget and Taxation and House Ways and Means committees on specified information related to the implementation of the program. DBED must publish the report on its website. The published report may not include any proprietary or confidential information.

Current Law/Background:

Insurance Premium Tax

Unless subject to other specified taxes under insurance law, the Maryland Insurance Administration imposes a 2% tax on premiums derived from or reasonably attributable to insurance business in the State. Net general fund revenues from the insurance premium tax are estimated to be approximately $317.8 million in fiscal 2015. This revenue estimate reflects $20 million in anticipated insurance premium tax credits from the InvestMaryland program.

Corporate Income Tax

A CIT rate of 8.25% is applied to a corporation's Maryland taxable income. In general, the Maryland CIT is computed using federal provisions to determine income and deductions.

Every Maryland corporation and every corporation that conducts business within Maryland, including public service companies and financial institutions, is required to pay the corporate income tax. Chapter 3 of the 2007 special session increased the corporate income tax rate from 7.00% to 8.25%. Chapter 3 also created HEIF and distributed a portion of corporate income tax revenues to that fund. Net CIT revenues are projected to total more than $1 billion in fiscal 2015. Of this amount, $783.2 million is general fund revenues, $167.3 million is TTF revenues, and $60.7 million is HEIF revenues.

Maryland Venture Fund Authority

MVFA members serve four-year terms; seven members are appointed by the Governor with the advice and consent of the Senate, one member is appointed by the Senate President, and one member is appointed by the Speaker of the House. Members of MVFA may not receive compensation but are entitled to reimbursement for expenses.

MVFA's responsibilities include providing advice and consulting with DBED on InvestMaryland program administration. Subject to the approval of DBED, MVFA is required to contract with an independent third party to conduct the tax credit bidding process, establish the venture firm application process, and evaluate venture firm applicants. The independent third party is required to evaluate the applications submitted by venture firms and recommend to MVFA which venture firms should receive designated capital.

On receiving this recommendation, MVFA must select which venture firms receive designated capital and ensure these firms make the required investments. In selecting venture firms, MVFA is required to consider (1) the management structure and investment strategy of the venture firm and (2) the venture firm's commitment to making investments in the State.

InvestMaryland Program

The funding source for the program established under the bill is very similar to the InvestMaryland program established by Chapter 409 of 2011. The legislation created a State-supported venture capital program and also increased funding for the Enterprise Fund and other DBED programs. These programs were funded through a (single) auction of tax credits against the insurance premium tax for insurance companies. A total of $100 million in credits were auctioned off for $84.0 million. MVFA oversees the program. Fiscal 2015 marks the third and final year in which the program will be funded by the auction proceeds.

Of the auction proceeds, 24.75% was retained by DBED's Enterprise Fund, 67.0% was distributed to eligible private venture firms, and 8.25% was distributed to the Maryland Small Business Financing Authority. At the time of the first investment, a business must (1) have its principal business operations in the State; (2) agree to use the investment primarily to establish or support business operations in the State; (3) have no more than 250 employees; and (4) not be primarily engaged in retail sales; real estate development; the business of insurance, banking, or lending; or professional services by accountants, attorneys, or physicians.

DBED contracted with a consultant to identify qualifying private venture firms. The consultant was responsible for receiving and reviewing applications, conducting due diligence, developing an investment strategy consistent with statutory requirements, and presenting a recommended list of venture firms for final approval. There were 37 firms that applied for the investment. To the extent that the early-stage companies post positive returns, the venture firms will return the principal to the State as well as 80% of the profits.

Endowed Chairs

The proceeds from the tax credit auctions conducted under the bill – in addition to the matching private donations necessary to receive State money under the program – are to be used by nonprofit institutions of higher education in the State to create and administer one or more research endowments. State-supported endowment programs with a private match component exist in several states, including Kentucky, South Carolina, and West Virginia.

The West Virginia Legislature established an endowment program in 2008 with a $50 million one-time appropriation of surplus revenue. Also known as *Bucks for Brains*, the Research Trust Fund is an endowment that allows Marshall University and West Virginia University to provide a dollar-for-dollar state match of private contributions to support expansions to research faculty and infrastructure. The program supports research in energy, biotechnology, biomedical, identification technology, material science, engineering, and environmental science.

As of January 2013, both Marshall University and West Virginia University had achieved donations to match their state allotment of $15 million and $35 million, resulting in total available funds of $30 million and $70 million, respectively.

At Marshall University, endowments have been directed to three main areas – support for student research, support for research in specific units or departments, and support for research in designated disciplines. The student research endowments support scholarships and stipends for students engaged in both undergraduate and graduate research. The funds designated for specific units or departments enable a multidisciplinary approach to economic development through research, innovation and commercialization. The funds to support designated disciplines provide endowed professorships or research support for faculty members in areas such as dementia, river biology, safety engineering, obstetrics and gynecology, and translational sports medicine.

West Virginia University created 86 private endowments to support research. These endowments include 12 chairs and professorships, 14 undergraduate scholarships, 15 graduate fellowships, 43 broad-based research support funds, and 2 library endowments.

In addition, the interest generated from the Research Trust Fund was placed into an account to support science, technology, engineering, and mathematics research and education at West Virginia's predominately undergraduate institutions and the West Virginia School of Osteopathic Medicine. As of January 2013, five predominantly undergraduate institutions had been awarded $100,000 from the interest fund.

State Fiscal Effect:

General and Special Fund Revenues

Special fund revenues for MEIF increase by $7.0 million in each of fiscal 2015 and 2016, by $14.0 million in fiscal 2017, and by $7.0 million in each of fiscal 2018 and 2019 from payments of designated capital by insurance companies and corporations. General and special fund revenues decrease by $2.5 million in fiscal 2018, $5.0 million in fiscal 2019, and significantly thereafter through fiscal 2025, as shown in **Exhibit 1**. Of that amount, general fund revenues decrease by $2.1 million in fiscal 2018 and by $4.2 million in fiscal 2019, HEIF revenues decrease by $112,000 in fiscal 2018 and by $225,000 in fiscal 2019, and TTF revenues decrease by $274,000 in fiscal 2018 and by $547,000 in fiscal 2019. These revenue estimates assume:

- tax credits are purchased at $0.84 per $1 of tax credit, as experienced in the InvestMaryland tax credit auction;
- a 25%/75% split between insurance premium tax credits and CIT credits;
- insurance companies and corporations apply 20% of the total amount of tax credits purchased in each possible calendar year; and
- half-year fiscal effects occur in fiscal 2019 and 2025 to account for the fact that tax credits are allocated on a calendar year basis.

Exhibit 1
General and Special Fund Revenues
Fiscal 2015-2025
($ in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
MEIF Revenues												
2014 Auction	$7.0	$7.0	$7.0									**$21.0**
2016 Auction			7.0	$7.0	$7.0							**21.0**
Total MEIF Revenues	**7.0**	**7.0**	**14.0**	**7.0**	**7.0**							**42.0**
GF Revenue Loss												
2014 IPT Portion				-0.6	-1.3	-$1.3	-$1.3	-$1.3	-$0.6			**-6.3**
2016 IPT Portion						-0.6	-1.3	-1.3	-1.3	-$1.3	-$0.6	**-6.3**
CIT Revenue Loss (Both Auctions)												
HEIF				-0.1	-0.2	-0.3	-0.4	-0.4	-0.3	-0.2	-0.1	**-2.2**
GF				-1.5	-3.0	-4.5	-6.0	-6.0	-4.5	-3.0	-1.5	**-29.8**
TTF				-0.3	-0.5	-0.8	-1.1	-1.1	-0.8	-0.5	-0.3	**-5.5**
MDOT				*-0.2*	*-0.5*	*-0.7*	*-1.0*	*-1.0*	*-0.7*	*-0.5*	*-0.2*	***-4.9***
LHUR				*0.0*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*0.0*	***-0.5***
Total Revenue Losses												
General Fund				-2.1	-4.2	-6.3	-8.5	-8.5	-6.3	-4.2	-2.1	**-42.3**
HEIF				-0.1	-0.2	-0.3	-0.4	-0.4	-0.3	-0.2	-0.1	**-2.2**
TTF				-0.3	-0.5	-0.8	-1.1	-1.1	-0.8	-0.5	-0.3	**-5.5**
Total				**-2.5**	**-5.0**	**-7.5**	**-10.0**	**-10.0**	**-7.5**	**-5.0**	**-2.5**	**-50.0**
Combined Effect (All Funds)	**$7.0**	**$7.0**	**$14.0**	**$4.5**	**$2.0**	**-$7.5**	**-$10.0**	**-$10.0**	**-$7.5**	**-$5.0**	**-$2.5**	**-$8.0**

Note: MEIF = Maryland E-Nnovation Initiative Fund; GF = General Fund; HEIF = Higher Education Investment Fund; TTF = Transportation Trust Fund; MDOT = Maryland Department of Transportation; LHUR = Local Highway User Revenues; IPT = Insurance Premium Tax; CIT = Corporate Income Tax

DBED Administrative Expenditures

DBED is required to administer the program and select an independent third party to establish the tax credit bidding process and review venture firm applications. DBED advises that it requires one program manager to oversee the tax credit auctions and the distribution of designated capital to nonprofit institutions of higher education. In addition, based on the agency's experience with the InvestMaryland tax credit auction, DBED estimates that $300,000 is needed for consulting services to conduct each auction, $50,000 is needed to advertise each auction, and $25,000 is needed for legal services. The Department of Legislative Services advises that this estimate is consistent with DBED's budget amendment request of $425,000 for contractual services for the InvestMaryland tax credit auction. The bill establishes that designated capital contributions may be used to pay for the administrative, legal, and actuarial expenses of DBED.

Due to the delayed contribution of designated capital in fiscal 2015 (the first contribution is due by June 1, 2015), it may be necessary for DBED to support program costs with other funds during most of fiscal 2015 until designated capital is received and the costs can be reimbursed from MEIF. DBED advises that this occurred under the InvestMaryland program.

Therefore, MEIF expenditures increase by $455,140 in fiscal 2015, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one program manager to oversee the tax credit auction and subsequent allocation of funds under the bill. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and estimated contractual expenses ($375,000) related to the first tax credit auction.

Position	1
Salary and Fringe Benefits	$75,335
Contractual Expenses	375,000
Other Operating Expenses	4,805
Total FY 2015 DBED Expenditures	**$455,140**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Fiscal 2017 expenditures reflect contractual services related to the second tax credit auction, which may be mitigated due to the proximity of the first auction if DBED is able to realize any efficiencies.

While the precise timing is unknown, it is assumed that the program manager position is eliminated from DBED when MEIF special fund revenues are fully allocated. This potentially occurs as early as fiscal 2020.

Higher Education Funding

As discussed above, MEIF revenues increase by $7.0 million in each of fiscal 2015 and 2016, by $14.0 million in fiscal 2017, and by $7.0 million in each of fiscal 2018 and 2019 from payments of designated capital by insurance companies and corporations. The bill authorizes DBED to pay for administrative expenses from these auction proceeds. Due to the timing of the distributions of designated capital, this estimate assumes all designated capital received in a fiscal year is allocated in the *following* fiscal year. The timing of special fund expenditures for endowments may differ from this estimate.

Under these assumptions, special fund expenditures from MEIF increase beginning in fiscal 2015 for DBED administrative expenses and beginning in fiscal 2016 to provide matching funds for endowments at nonprofit institutions of higher education. These expenditures are summarized in **Exhibit 2**. A fund balance in any year may be carried over to the following year. The Department of Legislative Services assumes the final MEIF payment to higher education institutions occurs in fiscal 2020; it could occur later if institutions do not raise enough matching funds.

Exhibit 2
Special Fund Expenditures for MEIF
Fiscal 2015-2019

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Beginning Year Balance	**-**	**$6,544,900**	**$6,896,200**	**$13,516,400**	**$6,886,400**
MEIF Revenue	$7,000,000	7,000,000	14,000,000	7,000,000	7,000,000
DBED Administrative Costs	455,100	103,800	483,600	113,600	118,800
Allocation to all Higher Education Institutions	-	6,544,900	6,896,200	13,516,400	6,886,400
Ending Balance	**$6,544,900**	**$6,896,200**	**$13,516,400**	**$6,886,400**	**$6,881,200**

Note: MEIF = Maryland E-Nnovation Initiative Fund; DBED = Department of Business and Economic Development.

Assuming 30% of MEIF funds remaining after DBED administrative costs are allocated to *private* nonprofit institutions of higher education (and that the remaining 70% are allocated to *public* institutions), revenues for public four-year institutions of higher education increase by $4.6 million in fiscal 2016, by $4.8 million in fiscal 2017, by $8.5 million in fiscal 2018, and by $4.8 million in fiscal 2019. Higher education revenues also increase from interest earned on the endowment funds.

Higher education expenditures increase beginning in fiscal 2016 from interest earnings on endowment proceeds for the purposes authorized under the bill.

Miscellaneous

Travel expenses for MEIFA members under the bill are anticipated to be minimal and absorbable within existing budgeted resources. The bill's reporting requirements for nonprofit institutions of higher education and for DBED can be handled with existing budgeted resources. DBED can adopt the required regulations with existing budgeted resources. MIA can handle the bill's requirements with existing budgeted resources.

Local Revenues: Local governments receive a portion of CIT revenues to support the construction and maintenance of local roads and other transportation facilities. As shown in Exhibit 1, local highway user revenues decrease minimally beginning in fiscal 2018.

Additional Information

Prior Introductions: None.

Cross File: HB 741 (Delegate Bohanan, *et al.*) - Ways and Means and Appropriations.

Information Source(s): Department of Business and Economic Development, Department of General Services, Maryland Higher Education Commission, Maryland Insurance Administration, University System of Maryland, University of Maryland Medical System, West Virginia Legislature, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2014
mc/rhh

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