

Larry Hogan | Covernor Boyd Rutherford | Lt. Governor R. Michael Gill | Secretary of Commerce Benjamin H. Wu | Deputy Secretary of Commerce

January 17, 2017

The Honorable Thomas V. Mike Miller, Jr. President, Maryland Senate State House, H-107 Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch Speaker, Maryland House of Delegates State House, H-101 Annapolis, Maryland 21401-1991

The Honorable Edward J. Kasemeyer Chairman, Senate Budget and Taxation Committee 3 W Miller Senate Office Building Annapolis, MD 21401

The Honorable Sheila E. Hixson Chairman, House Ways and Means Committee 131 House Office Building Annapolis, MD 21401

### RE: E-Nnovation Initiative Fund Program Annual Report

Dear President Miller, Speaker Busch and Chairmen Kasemeyer and Hixson:

In accordance with §6-623 of the Economic Development Article, we are pleased to submit the annual report on the E-Nnovation Initiative Fund Program.

We look forward to your review of this report and are happy to furnish any additional information that is required. If you have any questions regarding this report, please contact Bret Schreiber at 410-767-2368.

R. Michael Gill Secretary

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Robert Hallenbeck

E-Nnovation Initiative Fund Authority Chair



Larry Hogan | Governor

Boyd Rutherford | Lt. Governor

R. Michael Gill | Secretary of Commerce

Benjamin H. Wu | Deputy Secretary of Commerce

### **MEMORANDUM**

TO:

The Honorable Larry Hogan

Governor

THRU:

Britta Vander Linden

Deputy Chief of Staff, Governor's Office

FROM:

R. Michael Gill

Secretary

Robert Hallenbeck

E-Nnovation Initiative Fund Authority Chair

DATE:

January 17, 2017

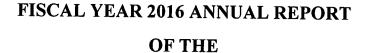
**SUBJECT:** 

E-Nnovation Initiative Fund Program Annual Report

In accordance with §6-623 of the Economic Development Article, we are pleased to submit the annual report on the E-Nnovation Initiative Fund Program.

We look forward to your review of this report and are happy to furnish any additional information that is required. If you have any questions regarding this report, please contact Bret Schreiber at 410-767-2368.

Attachment



# **E-Nnovation Initiative Fund Program**

As required by Economic Development Article Section 6-623

## Respectfully submitted to the General Assembly of Maryland by

Robert Hallenbeck, Chairman Secretary R. Michael Gill 401 East Pratt Street Baltimore, MD 21202 January 17, 2017



Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

#### Overview

Pursuant to Section §6–601 *et seq.* of the Economic Development Article as amended (the "Act"), on or before January 1<sup>st</sup> of each year beginning in 2016, the Department of Commerce (the "Department") shall submit a report on the implementation of the E-Nnovation Initiative Fund Program (the "Program") to the Governor and, in accordance with § 2–1246 of the State Government Article, to the Senate Budget and Taxation Committee and the House Ways and Means Committee.

The Program became fully operational on July 1, 2014, and this is the second Annual Report covering the first full fiscal year of operations. The purpose and intent of the Program is to retain and recruit top university researchers and encourage collaboration among Maryland research universities, federal agencies and the private sector (especially entrepreneurial companies). 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. This initiative gives Maryland a tremendous advantage in the intense global competition for the best minds in the world, and will provide opportunities, jobs and industries created by their work.

The Program leverages the impact of State funds through matching funds from private donors to universities. The legislation which created the program calls for an annual appropriation of \$8.5 million from FY2016 through FY2021.

### I. Members of the E-Nnovation Initiative Fund Authority

Current members of the Maryland E-Nnovation Initiative Fund Authority (the "Authority") include:

- ➤ Robert Hallenbeck (Chair), BD Biosciences (retired)\*
- R. Michael Gill, Secretary, Maryland Department of Commerce, ex officio
- > Robert Caret, Chancellor, University System of Maryland, ex officio
- > John M. Wasilisin, President & Chief Operating Officer, TEDCO, ex officio
- Andrew Jones, Managing Director, Maryland Venture Fund, TEDCO, ex officio
- > VACANT, Executive Director, TEDCO, ex officio
- ▶ VACANT\*

\* This position is one of two on the Authority from the private sector and appointed by the President of the Senate and the Speaker of the House. It was previously held by David Baggett, Founder and President of Arcode Corporation. Mr. Baggett resigned his position on the Authority effective June 28, 2016.

Department staff and the Office of the Attorney General provide administrative and legal support to the Authority.

### II. Meetings of the Authority

The Authority conducted four meetings from July 1, 2015 to June 30, 2016 (FY2016):

- ➤ July 17, 2015 Continued review, discussion and approval of Round 1 applications (submitted June 1).
- ➤ September 10, 2015 Feedback and discussion of Round 1 applications with institutions.
- November 18, 2015 Review, discussion and approval of Round 2 applications (submitted November 1).
- ➤ December 3, 2015 Continued review, discussion and approval of Round 2 applications.
- ➤ March 10, 2016 Feedback and discussion of Round 1 and Round 2 applications and suggestions for FY 2017 award process.
- June 28, 2016 − Review, discussion and approval of Round 1 applications for FY2017 (which awards will be reported in the Annual Report for the Fiscal Year ending June 30, 2017, to be submitted on January 1, 2018).

### III. FY2016 Matching Fund Awards

Activities in FY2016 included the approval of matching funds to successful applicants. The Authority made nine awards to five different institutions. Six of the eight awards were made during the Round 1 application process, with awards approved at the July 17 meeting. Two additional awards were made during the Round 2 application process, with awards finalized at the December 3 meeting.

The Authority also approved amendments to two of the research endowment plans approved during the Round 1 application process. One of these amendments concerned an award that was initially approved to support one endowed chair that was split to support a second endowed chair.

The following are the nonprofit institutions of higher education that received allocation of funds from the Fund during FY2016:

Johns Hopkins University 3400 North Charles Street Baltimore, MD 21218

- > Contact: Denis Wirtz, Ph.D., Vice Provost of Research
- Number of FY2016 Awards: 2
- ➤ Amount of FY2016 Awards: \$2,106,250
- Amount received during FY2016: \$2,106,250
- Cumulative amount received: \$2,106,250
- ➤ Undisbursed amount at the end of FY2016: \$0.00
- > Funding Update:
  - O Professorship in Water and Public Health Johns Hopkins offered the Professorship position and it was accepted. Plans are being created to utilize funds for investment in innovative water related research projects, research staff, and part-time student fellowships.
  - o Reta Hiers Professorship in Tarlov Cyst Disease Johns Hopkins has recruited one new faculty member to date, with an expected start date of July 1, 2017.

University of Maryland, Baltimore (UMB) 220 Arch Street, 14<sup>th</sup> Floor

Baltimore, MD 21201

- > Contact: Bruce Jarrell, Ph.D., Senior Vice President and Chief Academic Officer
- Number of FY2016 Awards: 2
- Amount of FY2016 Awards: \$2,106,250
- Amount received during FY2016: \$2,106,250
- ➤ Cumulative amount received: \$ 2,106,250
- ➤ Undisbursed amount at the end of FY2016: \$0.00
- Funding Update:
  - Endowed Professorship in Entrepreneurial Surgical Science UMB conducted a
    national search for its endowed faculty position, extended an offer, and the new
    recruit is expected to start January 1, 2017. As availability of funding was not
    available during FY 2016, additional scope of work was limited.
  - Robert C. Gallo Distinguished Professorship Two professorships were awarded to two internationally regarded scientists as part of the funds retention efforts. As availability of funding was not available during FY 2016, additional scope of work was limited.

University of Maryland College Park 4114 Samuel Riggs IV Alumni Center

College Park, MD 20742

- > Contact: Brian Darmody, Associate Vice President, Corporate and Foundation Relations
- Number of FY2016 Awards: 2
- Amount of FY2016 Awards: \$2,106,250
- Amount received during FY2016: \$2,106,250
- Cumulative amount received: \$2,106,250
- ➤ Undisbursed amount at the end of FY2016: \$0.00
- ➤ Funding Update:
  - o Paul Chrisman Iribe Endowed E-Nnovate Professorship A search committee has been formed and nominations are being accepted for the Professorship.
  - o Michael and Eugena Brin Endowed Chair in Mathematics A search committee is in the process of being formed for the endowed Chair position.
  - o Reginald Allan Hahne Endowed Professorship in Computer Science An offer has been extended to a candidate for the endowed Professorship, and the candidate is expected to accept the position.

Morgan State University 1700 East Cold Spring Lane

Baltimore, MD 21251

- Contact: Cheryl Hitchcock, Vice President, Institutional Advancement and Executive Director, MSU Foundation
- Number of FY2016 Awards: 1
- Amount of FY2016 Award: \$1,000,000
- Amount received during FY2016: \$750,000
- Cumulative amount received: \$750,000

- Undisbursed amount at the end of FY2016: \$1,000,000 (Due to donor inability to fulfill qualified donations, \$750,000 was returned to the State.)
- > Funding Update:
  - O The donor was unable to fulfill the amount of the qualified donation underlying the matching funds awarded by the Authority. Upon notifying the State, the institution agreed to return the matching funds disbursed by the State to the institution to date in accordance with the Program regulations. See Part IV of this Annual Report for additional information.

Washington College 300 Washington Avenue Chestertown, MD 21620

- > Contact: John Seidel, Director, Center for Environment & Society
- Number of FY2016 Awards: 1
- > Amount of FY2016 Award: \$1,000,000
- Amount of received during FY2016: \$1,000,000
- Cumulative amount received: \$1,000,000
- ➤ Undisbursed amount at the end of FY2016: \$0.00
- > Funding Update:
  - O Andelot Endowment Fund for the Center for Environment and Society Washington College appointed a new Chief of Entrepreneurial Science (CES). The CES team also designed and built a prototype buoy using a local Maryland fabricator, demonstrated it to a major multinational company and secured an agreement for further development and marketing. The CES also developed plans for three buoy models based on market analysis. Washington College has also began work on an Office of Innovation leading to increased research competitiveness, institutional growth and infrastructure development.

MARY	LAND E-NNOVATION INITIATIVE	
FISCAL YEAR 2	016 FINANCIAL STATUS AND PROJECTION	
		FY16
61		Actual
Cash and Revenues		
Cash Balance I General Fund	-orward	-
Interest		500,000
		20,021
Amusement Tax Revenue		8,557,180
	Available Funds	9,077,201
Expenses		
P6400825	UMB	999,500
P6400826	UMB	1,106,750
P6401052	Morgan State	750,000
P6401083	Washington College	1,000,000
P6401130	UMCP	1,053,125
P6401131	UMCP	1,053,125
P6401196	JHU	1,053,125
P6401197	JHU	1,053,125
Admin Expense	s (Not charged against appropriation)	75,000
Total Expenses		8,143,750

### IV. Observations and Recommendations

#### Supply and Demand

The Authority notes that there was ample demand for the matching grants, and expects this demand to continue. Some applications had to be set aside and not considered once FY2016 funds were exhausted or the institution reached their 25% allowance. The Authority recommends continued level funding in future years.

#### Impact on Private Donations

The Authority is encouraged by the demand for matching funds in the first year. Anecdotal feedback from the institutions indicates donor excitement about the State's willingness to match private funding. Continued funding of the Program should continue to stimulate private, multi-million dollar donations to Maryland's colleges and universities.

### Application

Feedback from some nonprofit institutions of higher education indicated that some of the questions in the application were redundant. After reviewing the application form, the Authority simplified and streamlined the application prior to the FY2017 funding cycle.

### Diversity of Awards

The Authority is pleased to note that the awards and the recipient institutions in the first full year of the Program are characterized by significant diversity in demographics, geography, and technical and scientific fields of study. While large, research-oriented universities garnered six of the eight awards, the Authority also made an award to Morgan State University, a historically black institution, which would have created its first ever endowed chair, and the Authority awarded matching funds to Washington College, a small, independent liberal arts college on the Eastern Shore. The Program funded fields of study in mathematics, cybersecurity, virtual reality, environment, water and public health, bioengineering, neurogenetics and human virology.

### Morgan State University

The Authority awarded Morgan State University \$1 million in matching funds in the Round 2 of FY2016 based on a letter of intent from a donor with respect to a qualified donation in the amount of \$1 million to be received by Morgan State University ("MSU") by the end of Fiscal Year 2016. In June 2016, MSU informed the Deputy Secretary of Commerce that the donor was unable to fulfill the donation. At the time of this disclosure, MSU had received disbursements totaling \$750,000 in matching funds. Pursuant to COMAR 24.05.22.08A, which addresses the situation in which a nonprofit institution of higher education is unable to adhere to the matching fund requirements of the Program, MSU returned the \$750,000 to the Department of Commerce, withdrew its FY2016 application and stated that it would determine if it would resubmit the application in a future round of funding pending obtaining donor support for the research endowment plan.