



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

January 8, 2018

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 Anne R. Kaiser
Chairman, House Ways and Means Committee
131 House Office Building
Annapolis, MD 21401

RE: E-Nnovation Initiative Fund Program FY 2017 Annual Report

Dear President Miller, Speaker Busch and Chairmen Kasemeyer and Kaiser,

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 Sharon Markley at 410-767-6869.

Sincerely,

R. Michael Gill
Secretary

Robert Hallenbeck
E-Nnovation Initiative Fund Authority Chair

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, House Ways and Means Committee



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MEMORANDUM

TO: The Honorable Larry Hogan
Governor

THRU: Sean Powell
Deputy Chief of Staff, Governor's Office

FROM: Robert Hallenbeck
Chairman, E-Nnovation Initiative Fund Authority

R. Michael Gill
Secretary

DATE: January 8, 2018

SUBJECT: **E-Nnovation Initiative Fund 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 Sharon Markley at 410-767-6869.

Attachment



FISCAL YEAR 2017 ANNUAL REPORT
OF THE
E-Nnovation Initiative Fund Program
As required by the 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 2018



Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

OPEN *for* **Business**

Overview

Pursuant to Section §6–623 of the Economic Development Article as amended, on or before January 1st of each year beginning in 2016, the Department of Commerce (Commerce) shall submit a report on the implementation of the E-Nnovation Initiative Fund Program (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 third Annual Report. 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

FY2017 Members of the Maryland E-Nnovation Initiative Fund Authority (Authority) are:

- 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*
- Tracey Turner, Co-Owner and COO of Optimal Solutions Group, LLC*
- VACANT, Executive Director, TEDCO *ex officio***

*This position is one of two on the Authority from the private sector 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, until Mr. Baggett resigned his position on the Authority effective June 28, 2016. Ms. Turner was appointed to replace Mr. Baggett effective April 18, 2017.

**This position was filled by new TEDCO Executive Director/CEO George Davis effective November 28, 2017, and will be included in the FY2018 Annual Report.

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, 2016 to June 30, 2017 (FY2017).

- September 28, 2016 – Budget status update following FY2017 round 1 awards (determined at June 28, 2016 meeting); and discussion of a proposed legislative amendment to the 90-day statutory requirement for the deposit of qualified donations by an institution following Authority approval of disbursement of matching funds
- December 12, 2016 – Review, discussion and approval of round 2 applications (November 1, 2016 submission date) and discussion of proposed legislation impacting qualified donations
- April 18, 2017 – Review and discussion of *House Bill 94, Maryland E-Innovation Initiative Program Requirements for Matching Funds*; consideration of an amendment of the Authority's regulations regarding the definition of an academic year; and review and confirmation of evaluation criteria
- June 27, 2017 – Review, discussion and approval of FY2018 round 1 applications (June 1, 2017 submission date), and review and determination of an amendment request to a previous application

III. FY2017 Matching Fund Awards and Disbursements

FY2017 Matching Fund Awards

Activities which continued in FY2017 included the approval of matching funds to successful applicants. The Authority made eight awards to six different institutions. Four of the eight awards were made during the Round 1 application process, with the Authority approving awards at its June 28 meeting. The Authority made four additional awards during the Round 2 application process, with those awards finalized at the December 12 meeting. Awards totaled \$8.4995 million in FY2017.

The following decisions were announced for FY2017 round 1 awards:

- Johns Hopkins University for the *Mary Jo Rogers Professorship on Melanoma* – (\$1.375 million);
- The University of Maryland, Baltimore for the *Robert E. Fischell, ScD Dean's Endowed Professorship* – (\$1 million) (Note that the application was subsequently amended to reduce the request for matching funds to \$500,000 at the Authority's June 27, 2017 meeting at the request of the University of Maryland, Baltimore resulting from a reduction in the underlying qualified donations);
- The University of Maryland, College Park for the *Andrew and Mary Balo and Nicolas and Susan Simon Endowed Professorship* – (\$1 million); and
- The University of Maryland, College Park for the *Elizabeth Stevinson Iribe Chair in Computer Science* – (\$1.1125 million).

Total Awarded \$4.4875 million

The following decisions were announced for FY2017 round 2 awards:

- Washington College for the *Chair in Sustainable Food Systems/Eastern Shore Food Lab* – (\$944,000);
- Stevenson University for the *Stevenson University Distinguished Professorship in Nursing Research* – (\$1.18 million);
- The University of Maryland, Baltimore for the *Drs. Angela and Harry Brodie Distinguished Professorship in Translational Cancer Research* – (\$944,000); and
- Hood College for the *Endowed Chair in Advanced Bioproducts Research and Education* – (\$944,000).

Total Awarded \$4.012 million

FY2017 Disbursements

The following are the nonprofit institutions of higher education that received allocation and distribution of funds from the Fund during FY2017:

The Johns Hopkins University
3400 North Charles Street
Baltimore, MD 21218

- Contact: Denis Wirtz, Ph.D., Vice Provost of Research
- Number of FY2017 Awards: 1
- Amount of FY2017 Awards: \$1,375,000
- Cumulative Awards: \$3,481,250
- Undisbursed amount at the end of FY2017: \$1,214,062
- Research Endowment Plans Funded:
 - *Professorship in Water and Public Health* – FY2016
 - *Reta Hiers Professorship in Tarlov Cyst Disease* – FY2016
 - *Mary Jo Rogers Professorship in Melanoma* – FY2017

University of Maryland, Baltimore
220 Arch Street, 14th Floor
Baltimore, MD 21201

- Contact: Bruce Jarrell, Ph.D., Senior Vice President and Chief Academic Officer
- Number of FY2017 Awards: 2
- Amount of FY2017 Awards: \$1,444,000 (reduced by amendment of FY2017 round 1 Research Endowment Plan)
- Cumulative Awards: \$3,550,250
- Undisbursed amount at the end of FY2017: \$1,747,124
- Research Endowment Plans Funded:
 - *Endowed Professorship in Entrepreneurial Surgical Science* – FY2016
 - *Robert C. Gallo Distinguished Professorship* – FY2016
 - *Robert E. Fischell, ScD Dean's Endowed Professorship* – FY2017
 - *Drs. Angela and Harry Brodie Distinguished Professorship in Translational Cancer Research* – FY2017

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 FY2017 Awards: 2
- Amount of FY2017 Awards: \$2,112,500
- Cumulative Awards: \$4,218,750
- Undisbursed amount at the end of FY2017: \$1,582,812
- Research Endowment Plans Funded:
 - *Michael and Eugena Brin Endowed Chair in Mathematics* – FY2016
 - *Reginald Allan Hahne Endowed Professorship in Computer Science* – FY2016
(Note that the application was amended in FY2016 into two endowed professorships consisting of:
 - *Paul Chrisman Iribe Endowed E-Nnovate Professorship*
 - *Reginald Allan Hahne Endowed Professorship in Computer Science*)
 - *Andrew and Mary Balo and Nicolas and Susan Simon Endowed Professorship* – FY2017
 - *Elizabeth Stevinson Iribe Chair in Computer Science* – FY2017

Hood College
401 Rosemont Avenue
Frederick, Maryland 21701

- Contact: Suzie Smith, Director of Academic, Corporate and Foundation Relations
- Number of FY 2017 Awards: 1
- Amount of FY 2017 Awards: \$944,000
- Cumulative Awards: \$944,000
- Undisbursed amount at the end of FY2017: \$236,000
- Research Endowment Plan Funded:
 - *Endowed Chair in Advanced Bioproducts Research and Education* – FY2017

Stevenson University
1525 Greenspring Valley Road
Stevenson, Maryland 21153-0641

- Contact: Rebecca Van Horn, Assistant Director, Office of Sponsored Programs and Research
- Number of FY 2017 Awards: 1
- Amount of FY 2017 Awards: \$1,180,000
- Cumulative Awards: \$1,180,000
- Undisbursed amount at the end of FY2017: \$295,000
- Research Endowment Plan Funded:
 - *Stevenson University Distinguished Professorship in Nursing Research* – FY2017

Washington College
300 Washington Avenue
Chestertown, MD 21620

- Contact: Andrea Trisciuzzi, Vice President for College Advancement
- Number of FY2017 Awards: 1
- Amount of FY2017 Awards: \$944,000
- Cumulative Awards: \$1,944,000
- Undisbursed amount at the end of FY2017: \$486,000
- Research Endowment Plans Funded:
 - *Andelot Endowment Fund for the Center for Environment and Society* – FY2016
 - *Chair in Sustainable Food Systems/Eastern Shore Food Lab* – FY2017

FY2017 Financial Summary

MARYLAND E-INNOVATION INITIATIVE FISCAL YEAR 2017 FINANCIAL STATUS AND PROJECTION					
			<u>Cash</u>		
Beginning Cash			933,451		
Revenues	Date	Ref	Actual To Date	Actual & Projected	
	10/07/16	JTRAD005	2,204,865	2,204,865	
	1/12/2017	JTRAD019	2,044,861	2,044,861	
	8/1/2016	Return of MSU Funds	750,000	750,000	
	3rd Quarter	JTRAD034	2,070,846	2,070,846	
	4th Quarter	JTrad052	2,305,204	2,305,207	
	Interest		56,277	56,277	
FY2017 Revenues			9,432,054	9,432,057	
				8,682,057	
Less: Commitments	Institution	Doc. Ref.	Remaining Bal.	Disbursed	Total Commitment
	UMB	P7401101	500,000	500,000	1,000,000
	Hood	P7401102	236,000	708,000	944,000
	Stevenson	P7401103	295,000	885,000	1,180,000
	Washington College	P7401104	236,000	708,000	944,000
	UMCP	P7401003	556,250	556,250	1,112,500
	UMCP	P7400815	500,000	500,000	1,000,000
	JHU	P7400816	687,500	687,500	1,375,000
	UMB	P7401198	694,000	250,000	944,000
			3,704,750	4,794,750	8,499,500
Administrative Expenses				24,999	24,999
Total Expenses			3,704,750	4,819,749	8,524,499
				<u>Current Cash</u>	<u>Projected Year-End</u>
Ending Balance				5,545,756	1,841,009

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. The Authority recommends continued level funding in future years.

Impact on Private Donations and Greater Participation of Small Institutions

- The Authority did express concern that the 90-day statutory requirement for depositing qualified donations into an institution's endowment fund discouraged several institutions from participating in the program. Colleges and universities from across the State were invited to participate in the September 28 meeting of the Authority to discuss potential scenarios to create greater flexibility in meeting statutory requirements for purposes of qualified donations. The Authority asked for legislation to be drafted and introduced during the 2017 Legislative Session of the Maryland General Assembly to allow a nonprofit institution of higher education to deposit funds from other unrestricted sources available to the nonprofit institution of higher education into the research endowment fund for purposes of satisfying the 90-day deposit requirement. *House Bill 94, Maryland E-Nnovation Initiative Program Requirements for Matching Funds* was successfully passed. The Authority believes that this legislation will allow greater participation by the smaller colleges and universities in the Program. Continued funding of the Program should continue to stimulate private, multi-million dollar qualified donations to Maryland's colleges and universities.

Consideration of the Definition of an Academic Year as Contained in Regulations

- The Authority received a question from a nonprofit institution of higher education regarding Economic Development Article, §6-614(c)(3) which states that faculty members that receive the E-Nnovation fund grants are required to work at least "one day each week". In the correspondence, it was conveyed that most academic appointments for professors operate under a nine and one-half month provision and conduct research over the summer months, but are not generally paid by the source that pays for their academic year salaries. The Assistant Attorney General to the Authority advised the Authority that, based on consultation with the Educational Affairs Division of the Office of the Attorney General, the definition of an academic year can vary from institution to institution, depending on the particular institution's contract year for its faculty. After discussion of the request to consider an amendment of the regulations to address this specific issue, the Authority determined that the issue did not warrant amendment of the regulations at this time.

Diversity of Awards

- The Authority notes that the awards and the recipient institutions in the third year of the Program are characterized by diversity in geography, and technical and scientific fields of study. While large, research-oriented universities garnered five of the eight awards, the Authority also made awards to three smaller, nonprofit institutions. Hood College, a small independent liberal arts college in Frederick; Washington College, a small, independent liberal arts college on the Eastern Shore; and Stevenson University, an independent liberal arts college in Baltimore County, each received awards from the Program. Fields of study funded by the Program include: microbial genomics; computational science; biological sciences; life and

neuro sciences; medical engineering; advanced bioproducts research and education; nursing; biomedical research and commercialization; and sustainable food systems.

Morgan State University Update

- The Authority awarded Morgan State University \$1 million in matching funds in the Round 2 of Fiscal Year 2016 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 Fiscal Year 2016 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.

Morgan State University did not submit an application for funding in either round in FY2017.