

SENATE BILL 439

F2, P2

5lr2188
CF HB 1054

By: **Senator Lam (By Request – Joint Audit and Evaluation Committee)**

Introduced and read first time: January 21, 2025

Assigned to: Finance and Education, Energy, and the Environment

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 24, 2025

CHAPTER _____

1 AN ACT concerning

2 **Higher Education – High Impact Economic Development Activities – Alterations**

3 FOR the purpose of altering the definition of “high impact economic development activity”
4 to exclude cost savings related to the reduction in the number of University System
5 of Maryland or Morgan State University employees; requiring the Board of Regents
6 of the University System of Maryland and the Board of Regents of Morgan State
7 University to report certain information relating to high impact economic
8 development activities; repealing the authorization for an official or employee of a
9 public institution of higher education to be a certain employee of an entity supporting
10 a high impact economic development activity; making high impact economic
11 development activity entities subject to State procurement law; and generally
12 relating to the University System of Maryland and Morgan State University.

13 BY repealing and reenacting, with amendments,
14 Article – Education
15 Section ~~12–104.1 and 12–113(e)~~ 12–104.1, 12–113(c), and 14–104.1
16 Annotated Code of Maryland
17 (2022 Replacement Volume and 2024 Supplement)

18 BY repealing and reenacting, without amendments,
19 Article – Education
20 Section 12–113(a)
21 Annotated Code of Maryland
22 (2022 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Education

12–104.1.

(a) (1) In this section, “high impact economic development activity” means an initiative, transaction, or other undertaking by the University System of Maryland or one of its constituent institutions to create or facilitate:

[(1)] (I) 20 or more new jobs in the State of Maryland;

[(2)] (II) The award or completion of at least \$1,000,000 in externally funded research or other projects;

[(3)] (III) The establishment or relocation of one or more new companies to be registered or incorporated in the State and doing business in the State;

[(4)] (IV) The production of at least \$1,000,000 of annual gross revenue;

[(5)] (V) The licensing and potential commercialization of a promising new technology or other product; or

[(6)] (VI) An academic program to meet workforce demand in a documented labor shortage field.

(2) **“HIGH IMPACT DEVELOPMENT ACTIVITY” DOES NOT INCLUDE COST SAVINGS RELATED TO THE REDUCTION IN THE NUMBER OF UNIVERSITY EMPLOYEES.**

(b) To promote the economic interests of the State as mandated in §§ 10–205(c) and 15–107 of this article, the University System of Maryland shall utilize its powers as a public corporation established in § 12–104 of this subtitle to undertake high impact economic development activities that support:

(1) Job creation and workforce development;

(2) Technology transfer, commercialization, and entrepreneurship; and

(3) Increased sponsored research funding and other revenues.

(c) In order for an activity to qualify as a high impact economic development activity:

(1) The president of a constituent institution, or the president's designee, shall forward a request to the Chancellor for certification that the activity meets the criteria defined in subsection (a) of this section; and

(2) The Chancellor, or the Chancellor's designee, shall notify the Board of Regents and the Board of Public Works of any certified activity for review.

(d) (1) Notwithstanding any other provision of law, for any high impact economic development activity within the scope of § 5–310 or § 10–305 of the State Finance and Procurement Article, the Board of Regents shall be fully responsible for administering the review and comment process prescribed in those sections.

(2) In administering the review and comment process prescribed in §§ 5–310 and 10–305 of the State Finance and Procurement Article, the Board of Regents shall include in that process the appropriate legislative committees and units of State government, which may include:

(i) Committees of the General Assembly;

(ii) The Board of Public Works;

(iii) The Maryland Historic Trust;

(iv) The Department of Planning;

(v) The Department of the Environment; and

(vi) The Department of Natural Resources.

(3) The Board of Regents shall adopt policies and procedures to ensure that the notice and opportunity for review are conducted in a manner that provides a reasonable period to complete while not impairing the institution's capacity for the expeditious and successful pursuit of a high impact economic development activity.

(e) (1) On or before October 1 of each year, the Board of Regents shall report to the Board of Public Works and, in accordance with § 2–1257 of the State Government Article, the Senate Finance Committee, the House Economic Matters Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee on the high impact economic development activities undertaken under this section during the preceding fiscal year.

(2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL INCLUDE:

(I) THE AMOUNT OF STATE OR UNIVERSITY FUNDS USED ON EACH HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY DURING THE PRECEDING YEAR;

(II) THE NET BENEFIT OF EACH HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY; AND

(III) WHETHER THE BOARD OF REGENTS BELIEVES THAT EACH HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY IS IN THE BEST INTEREST OF THE STATE.

12–113.

(a) Consistent with § 15–107 of this article and any other applicable law, the Board of Regents may establish, invest in, finance, and operate businesses or business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University.

(c) (1) Subject to the requirements of this section, an institution may establish, invest in, finance, or operate a corporation, foundation, consortium, or other entity that is intended to support a high impact economic development activity, as defined in § 12–104.1 of this subtitle.

[(2) Notwithstanding the provisions of §§ 5–501 through 5–504 of the General Provisions Article and subject to § 5–525 of the General Provisions Article, an official or employee of a public institution of higher education may be a director, official, or employee of an entity intended to support a high impact economic development activity, if the individual’s participation advances the interests of the institution.

(3) Division II of the State Finance and Procurement Article does not apply to transactions between an entity established, financed, or operated under this subsection and the institution or consortium of institutions that established, financed, or operated the entity.]

[(4)] **(2)** (i) The Board of Regents shall adopt policies and procedures governing the establishment of high impact economic development entities to ensure that the institution’s participation in the entity furthers the interests of the institution, the University System of Maryland, and the State.

(ii) The policies and procedures under subparagraph (i) of this paragraph shall include requirements for:

1. Recognition of the entity by the Board of Regents;
2. An annual audit of the entity by an independent certified public accountant; ~~and~~

1 3. THE LEGISLATIVE AUDITOR TO AUDIT ALL
2 EXPENDITURES AND ACCOUNTS OF THE ENTITY DURING AN AUDIT CONDUCTED
3 UNDER § 12-105 OF THIS SUBTITLE AND IN ACCORDANCE WITH §§ 2-1220 THROUGH
4 2-1227 OF THE STATE GOVERNMENT ARTICLE; AND

5 4. Adequate safeguards with regard to conflicts of interest,
6 proper contracting practices, and other fundamental ethical and business practice
7 standards.

8 14-104.1.

9 (a) (1) In this section, “high impact economic development activity” means an
10 initiative, transaction, or other undertaking by Morgan State University to create or
11 facilitate:

12 [(1)] (I) 20 or more new jobs in the State;

13 [(2)] (II) The award or completion of at least \$1,000,000 in externally
14 funded research or other projects;

15 [(3)] (III) The establishment or relocation of one or more new companies to
16 be registered or incorporated in the State and doing business in the State;

17 [(4)] (IV) The production of at least \$1,000,000 of annual gross revenue;

18 [(5)] (V) The licensing and potential commercialization of a promising
19 new technology or other product; or

20 [(6)] (VI) An academic program to meet workforce demand in a
21 documented labor shortage field.

22 (2) “HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY” DOES NOT
23 INCLUDE COST SAVINGS RELATED TO THE REDUCTION IN THE NUMBER OF
24 UNIVERSITY EMPLOYEES.

25 (b) To promote the economic interests of the State as mandated in §§ 10-205(c)
26 and 15-107 of this article, the Morgan State University shall utilize its powers as a public
27 corporation established in § 14-104 of this subtitle to undertake high impact economic
28 development activities that support:

29 (1) Job creation and workforce development;

30 (2) Technology transfer, commercialization, and entrepreneurship; and

31 (3) Increased sponsored research funding and other revenues.

(c) In order for an activity to qualify as a high impact economic development activity:

(1) The President or the President's designee shall certify that the activity meets the criteria defined in subsection (a) of this section; and

(2) The President or the President's designee shall notify the Board of Regents and the Board of Public Works of any certified activity for review.

(d) (1) Notwithstanding any other provision of law, for any high impact economic activity within the scope of § 5–310 or § 10–305 of the State Finance and Procurement Article, the Board of Regents shall be fully responsible for administering the review and comment process prescribed in those sections.

(2) In administering the review and comment process prescribed in §§ 5–310 and 10–305 of the State Finance and Procurement Article, the Board of Regents shall include in the process the appropriate legislative committees and units of State government, which may include:

(i) Committees of the General Assembly;

(ii) The Board of Public Works;

(iii) The Maryland Historical Trust;

(iv) The Department of Planning;

(v) The Department of the Environment; and

(vi) The Department of Natural Resources.

(3) The Board of Regents shall adopt policies and procedures to ensure that the notice and opportunity for review are conducted in a manner that provides a reasonable period to complete while not impairing the institution's capacity for the expeditious and successful pursuit of a high impact economic development activity.

(e) (1) On or before October 1 of each year, the Board of Regents shall report to the Board of Public Works and, in accordance with § 2–1257 of the State Government Article, the Senate Finance Committee, the House Economic Matters Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee on the high impact economic development activities undertaken under this section during the preceding fiscal year.

(2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL INCLUDE:

1 **(I) THE AMOUNT OF STATE OR UNIVERSITY FUNDS USED ON**
2 **EACH HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY DURING THE PRECEDING**
3 **YEAR;**

4 **(II) THE NET BENEFIT OF EACH HIGH IMPACT ECONOMIC**
5 **DEVELOPMENT ACTIVITY; AND**

6 **(III) WHETHER THE BOARD OF REGENTS BELIEVES THAT EACH**
7 **HIGH IMPACT ECONOMIC DEVELOPMENT ACTIVITY IS IN THE BEST INTEREST OF THE**
8 **STATE.**

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
10 1, 2025.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.