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September 7, 2016

State House Update

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Message to Members

Below is a guest commentary submitted by Dr. Wallace Loh, President of the University of Maryland, College Park and Dr. Jay A. Perman, President of the University of Maryland, Baltimore. Drs. Loh and Perman outline the University of Maryland Strategic Partnership Act legislation passed during the 2016 session and how it formalizes and strengthens an alliance between the University of Maryland, Baltimore and the University of Maryland, College Park. This is part of an occasional series of commentaries submitted by policymakers and leaders for the GBC's State House Update.

As always, if you have any questions or concerns, please feel free to contact me.

Sincerely,

GBC EVENTS

September 28, 2016
Transportation Summit

October 17, 2016
Economic Outlook Conference

November 10, 2016
Bridging the Gap Achievement Awards

December 5, 2016
Mayor's Business Recognition Awards

January 23, 2017
Maryland General Assembly
Legislative Forum

Event and sponsorship
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Guest Commentary:

Strengthening Maryland's Innovation Economy: The University of Maryland Strategic Partnership Act



On October 1, the University of Maryland Strategic Partnership Act (SB 1052) takes effect. Sponsored by Sen. Bill Ferguson (D-Baltimore), the Act formalizes and strengthens an alliance between Maryland's two most powerful public research universities, the University of Maryland, Baltimore (UMB) and the University of Maryland, College Park (UMCP).

The Strategic Partnership Act builds on MPowering the State, established by the University System of Maryland (USM) Board of Regents in 2012 to amplify cross-university collaboration in education, research, and technology commercialization. Its prevailing goals were to make Maryland a hub for innovation that solves pressing challenges, locally and globally; to give students more and better opportunities to be part of those solutions; and to fully exploit the economy-driving potential of our two universities, which together educate 45,000 students and attract \$1 billion in sponsored research funding.



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The success of this partnership is clear. Joint research was practically nonexistent when our alliance began; it's now a four-year, \$90 million enterprise. Last year alone, UMB and UMCP disclosed 331 inventions for patenting (up 60 percent over FY11); licensed 56 technologies (double the FY11 total); and launched 20 startups based on our intellectual property (up from just five).

Two provisions of the Strategic Partnership Act are meant to capitalize on this compelling R&D success-to fortify our innovation infrastructure and to create the next generation of Maryland entrepreneurs.

The Act establishes the Center for Maryland Advanced Ventures (CMAV) on the UMB campus and funds it with \$3 million a year beginning in FY18. The center will promote the commercialization of university discoveries, providing grants to faculty whose research has high commercialization potential and supporting startups with the staff, facilities, and equipment they need to develop their companies.

The Act provides CMAV with another \$1 million a year in state funds to offer incentives that persuade university-affiliated startups from across the state to locate in Baltimore City. It will be a critical driver of growth in and around UMB's BioPark in West Baltimore, expanding what is already the city's biggest innovation district of early-stage bioscience and technology companies.

Meanwhile, the University of Maryland Center for Economic and Entrepreneurship Development (UMCEED), to be located on the UMCP campus, will advance education and research in areas where UMCP and UMB have key capabilities and where our two universities are already collaborating: neuroscience, virtual and augmented reality, biomedical devices, data analytics, and cybersecurity. The center will leverage UMCP's top-ranked student entrepreneurship programs and apply them to these areas of state priority-areas where job growth is vigorous and entrepreneurial potential is high.

Maryland's highly educated workforce has long been our primary strength. UMCEED will help us retain that strength; it will give students a compelling reason to stay in Maryland after they graduate-to build and lead emerging technology sectors right here and keep the state among the nation's most competitive. The state will appropriate \$2 million to UMCEED in FY18, \$4 million in FY19, and \$6 million every year thereafter.

Dovetailing with these efforts is the USM Early Stage Investment Fund, a new \$25 million pool of venture capital available for investing in companies affiliated with the

university system. While USM has established investment funds before, they were under-resourced and applied only to companies that licensed university IP. This new fund-with \$10 million from USM and \$15 million to be raised from venture capital, the state, foundations, and friends-is available, as well, to companies founded by faculty, students, or recent graduates, and to those located in a university research park.

The Early Stage Investment Fund will allow us to build the nurturing ecosystem Maryland needs to aggressively grow its innovation economy. With our colleagues at UMBC and the University of Maryland Center for Environmental Science, we've already identified 17 startups that are strong candidates for early-stage investments.

The Strategic Partnership Act fortifies and expands an alliance between UMB and UMCP that has already yielded enormous benefits for Maryland and its people. With unprecedented state support and undiminished energy, we're now looking at every one of our missions-education, research, and service-to identify where we can collaborate to amplify our impact on Maryland and fuel even greater growth and prosperity.

Transportation Scoring Law Creates Confusion, Animosity

A transportation measure supported by the GBC is creating tensions over its implementation. HB 1013, the Maryland Open Transportation Investment Decision Act of 2016, passed the Maryland General Assembly, but was vetoed by Governor Larry Hogan. The legislature proceeded to override the veto shortly thereafter.

The bill creates an evaluation process for the selection and funding of transportation projects whereby the Maryland Department of Transportation (MDOT) is required to score major capital projects based upon whether or not they satisfy a set of goals and measures. Based on these scores, MDOT then rank projects for inclusion in the Consolidated Transportation Plan. Projects are ranked based on how well they reflect priorities including safety and security, system preservation, quality of service, cost effectiveness and equitable access to transportation. Virginia last year elected to set up a similar system for project review and evaluation.

The GBC supports a transparent system that allows the public a better understanding of how transportation money is spent. A superior transportation infrastructure with reliable funding mechanisms is one of eight core pillars for a competitive business environment outlined in the GBC's report, *Gaining a Competitive Edge: Keys to Economic Growth and Job Creation*

in Maryland.

However, for now HB 1013 has brought with it discord over the timing and implementation of the law. The bill requires that by January 1, 2017, MDOT must develop the project-based scoring system, but transportation officials sent a letter to counties giving them less than a month to provide detailed information on their priority transportation projects or lose funding. Legislative leaders in Annapolis cried foul over the timing of the requests and insisted the law does not require counties to provide some of the information requested and expressed dissatisfaction of the appearance of a funding ultimatum.

The rancor continued after Senate President Thomas V. Mike Miller shared a letter calling for the firing of MDOT's number two official over the matter. Governor Hogan is now calling for a repeal of the law. Stay tuned because it seems likely this issue will remain on the forefront of debate in Annapolis.

Education Adequacy Commission Names Head

The Commission on Innovation and Excellence in Education named William E. Kirwan, the former chancellor of the University System of Maryland, as chairperson. The commission, which is set to examine the equitability and adequacy of state education funding formulas, was created by SB 905/HB 999 during 2016 session of the Maryland General Assembly.

The GBC supported the creation of the commission because Maryland's economic competitiveness hinges on the ability for companies to compete by meeting their workforce needs for a variety of skilled jobs. A thoughtful examination of education funding and how to best prepare students for the workforce needs of Maryland companies would help to accomplish that goal.

In the GBC's report, *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, we identify eight core pillars for a competitive business environment and job growth. One of the key pillars provides that there is a highly-education workforce that meets Maryland's business needs with secondary and higher education institutions offering access to quality instruction at all levels and the cultivation of a workforce that is well-suited to a modern economy and to the specific needs of Maryland's business sectors.

Specifically, the bill tasks the commission to review the findings and recommendations of the Study on Adequacy of Funding for Education, review and assess the current education financing formulas and accountability measures, determine how the State

can better prepare students to be competitive in the workforce and review how local school systems are spending education funds.

The commission, which holds its first meeting September 29, will issue a preliminary report at the end of this year and a final report by December 31, 2017. The GBC will monitor the commission's work and ensure that the Greater Baltimore region is well represented.

Governor, Legislators Spar Over State Funding

A standoff in Annapolis between legislative leaders and Governor Larry Hogan may possibly lead to a lower credit rating for some counties. A higher bond rating provides jurisdictions lower interest costs on the bonds it sells to finance large capital projects.

During the 2016 session, legislative leaders cordoned off funding for a variety of programs including their own priorities and those of the governor's. The maneuver was structured in such a way that the governor was required to spend all or none of the \$174 million of funding set aside. The news that local bond ratings were at risk followed the governor's decision not to spend the money, which includes funding for teacher pensions that gave the rating agencies pause.

Maryland also ended fiscal year 2016 with \$250 million less in tax revenue than was estimated, so the controversy emerges at a difficult time. Since the Maryland Constitution requires a balanced budget, shortfalls must be filled. For now, that money comes from what was to be an end of year surplus of \$385 million.

The similar standoff also imperils a \$20 million grant to Northrup Grumman through the State's Sunny Day Fund. A meeting of the Legislative Policy Committee, which must take place to vote on the proposal, was postponed, but a new date has yet to be set. It is unclear when this issue will be resolved.

Upcoming GBC Events of Interest

The GBC has some great events coming in September and October for those interested in learning more about the most pressing policy issues facing the Greater Baltimore region.

First, on **September 28** the GBC will hold its annual [Transportation Summit](#) at the Marriott Baltimore Waterfront, 700 Aliceanna Street, Baltimore from 7:30 a.m. to 9:30 a.m. The Summit will focus on the urgent improvements needed to

address Baltimore's more than 100-year-old freight and passenger rail tunnel system, particularly the B&P Tunnel and the Howard Street Tunnel.

Event speakers include: Stephen Gardner, Vice President for NEC Infrastructure and Investment Development, Amtrak; Louis Renjel, Vice President of Strategic Infrastructure, CSX; and Bradley M. Smith, Project Manager for the Office of Freight and Multimodalism, Maryland Department of Transportation.

On **October 17**, we also hope to see you at the GBC's annual [Economic Outlook Conference](#) at the Baltimore Marriott Inner Harbor at Camden Yards from 7:30 a.m. to 9:30 a.m. The 2016 Economic Outlook Conference will feature Alec Ross, a technology policy expert, former Senior Adviser for Innovation to Secretary of State Hillary Clinton, and author of The New York Times bestseller *The Industries of the Future*, followed by a panel discussion about how prepared Baltimore and Maryland are for this future economic development activity. Additional speakers will be announced.

For more information, sponsorship opportunities and a link to register, please [click here](#).

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