



Maryland
DEPARTMENT OF COMMERCE



MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

I. Statute: Economic Development Article
§6-601 - §6-623
COMAR 24.05.22

The Program became effective July 1, 2014 for
Fiscal Year 2015.



MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

REGULATIONS

Requirements and procedures to implement the program were proposed in the Maryland Register, Volume 42, Issue 8, Friday, April 17, 2015. The Regulations were accepted as proposed.



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II. Appropriations

For each Fiscal Year 2016 through 2021, per legislation, the Governor shall include in the budget bill an appropriation equal to at least \$8,500,000



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Program funding includes:

1. Revenue from Electronic Bingo and Electronic Tip Jars;
2. Money appropriated in the State Budget; and
3. Any other money from any other source accepted for the benefit of the Fund.

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III. Program Concepts

There is a Maryland e-Innovation Initiative Fund Authority (§6-605) which advises and consults with the Department.



MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

Through the program, Maryland Nonprofit Institutions of Higher Education (NPIHEs) create research endowments in scientific and technical fields of study.

MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

Definition: “Endowment” represents funds or property donated to an institution, individual or group to produce income.



MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

The primary intent of the Program is to retain and recruit top University researchers and encourage collaboration among Maryland public and private sectors.

MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

SCIENTIFIC AND TECHNICAL FIELDS OF STUDY ELIGIBLE FOR EXPENDITURE OF ENDOWMENT PROCEEDS

1. Physical Sciences
2. Life and Neuro Sciences (Biotechnology)
3. Engineering
4. Mathematical and Computational Sciences (Statistics)
5. Regulatory Science (IP and Patents)
6. Autonomous systems
7. Aeronautical and Space Science
8. Environmental Sciences
9. Behavioral and Language Science
10. Health Sciences
11. Agriculture
12. Cybersecurity



MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM

RULES:

1. Individual Institutions cannot claim more than a quarter of available MEI funds, unless the Program's allotment is not fully allocated.
2. MEI funds can be used to:
 - pay salaries of newly endowed department chairs, professorship positions, and new research scientists in designated scientific and technical fields of study
 - pay salaries of new research staff positions, including research technicians and support personnel in designated scientific and technical fields of study
 - fund affiliated/related research fellowships for graduate and undergraduate students in designated scientific and technical fields of study
 - purchase lab equipment and other basic infrastructure and equipment

ACCOUNTING

Full accounting of the matching funds and endowment proceeds including:

- Detail the total amount of qualified endowment proceeds received
- Detail all expenditures
- Identify investment earnings ***realized***
- Identify fiscal year-end cash balance of endowment
- Any anticipated expenditures of the endowment proceeds in the institution's annual operating budget
- If ***allowable by individual grant agreement*** and opting to apply matching funds to indirect costs, detail indirect costs (accounting, legal, office, security, and utilities expenses, ect.)

ACCOUNTING

Issues with the annual report include:

- NPIHEs did not follow the directions of the annual report
- Omitted figures from the report
- Missing explanations or support on how funds were spent
- Missing third-party documentation (or a sufficient *substitute**) verifying the end of year fund balance
- Mathematical errors
- Changed annual reporting template
- Included expenses that are not allowable uses of state funds according to COMAR
- No (allowable) NPIHEs requested to use funds for indirect expenses

* A sufficient substitute would be a document or combination of documents that verify the ending cash balance of the fund. Third party documentation is preferable because it is not a document created by the NPIHEs. Acceptable documentation could include bank screenshots, an audited financial statement, bank verification letter, general ledger detail, fund reconciliation, ect.. You will most likely need to submit multiple documents to verify the cash balance.

ACCOUNTING

FASB CON5-4 *Realized or realizable*: Revenues and gains generally are not recognized until realized or realizable. **Revenues and gains are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash.**

ACCOUNTING

COMAR 24.05.22.02

C. Endowment proceeds may be expended by a nonprofit institution of higher education for:

- (1) **The payment of base salaries** of newly endowed department chairs, new professorship positions, new research scientists, or new research staff positions, including research technicians and support personnel, and to fund affiliated graduate or undergraduate student research fellowships, if the positions or fellowships are engaged in the areas of research identified in §A of this regulation; or
- (2) **The purchase of basic infrastructure**, including, but not limited to, laboratory and scientific equipment or other essential equipment and materials, related to an area of research identified in §A of this regulation.

ACCOUNTING

The ability to use funds for indirect costs apply to agreements entered into after October 1, 2018. Agreements entered into before October 1, 2018 do not have the ability to use funds for indirect costs. The Department is creating an Indirect Cost Proposal form for those applicable to use.

The Department is currently reviewing NPIHE's that have already used funds for indirect costs.

ACCOUNTING

GRANT AGREEMENT LANGUAGE REGARDING INDIRECT COSTS

Section 1.06. Indirect Costs.

(a) If the Institution is a nonprofit entity under Section 501(c)(3), (4) or (6) of the Internal Revenue Code, the Matching Funds may be applied to indirect costs in accordance with **§ 2-208 of the State Finance and Procurement Article, Annotated Code of Maryland.**

ACCOUNTING

Maryland Code, State Finance and Procurement, § 2-208

Nonprofit organizations

(c) If a nonprofit organization is a direct recipient or subrecipient of a grant or contract for the provision of services that is funded wholly with State funds or with a combination of State and other nonfederal funds, the terms of the grant or contract shall allow for reimbursement of indirect costs:

(1) at the same rate the nonprofit organization has negotiated and received:

(i) for indirect costs under a direct federal award; or

(ii) from a nonfederal entity based on the cost principles in Subpart E of OMB Uniform Guidance; or

(2) if the nonprofit organization has not negotiated and received an indirect cost rate described in item (1) of this subsection, at a rate of at least 10% of the costs that would be considered **modified total direct costs** under OMB Uniform Guidance.

ACCOUNTING

OMB Uniform Guidance

§ 200.56 Indirect (facilities & administrative (F&A)) costs.

Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

ACCOUNTING

METHOD FOR CALCULATING INDIRECT COSTS

The 10% de minimus calculation would be calculated against the total of the enumerated allowable Modified Total Direct Costs (MTDC) under CFR 200.68:

Direct salaries, fringe benefits, materials and supplies, travel, etc. attributable to the project (as required under CFR 200.413 definition of "direct costs")

Subawards and subcontracts expended by our grantee in connection with the project (each of which is limited to \$25k for this purpose)

Costs that are not allowable as MTDC are enumerated in CFR 200.68 and include equipment, capital expenditures, etc.

[Institution Name] [Name of Endowment] Cash Verification Worksheet	2019	2018	Total
Direct Financial Support – Endowment Proceeds	\$600	\$500	\$1100
Direct Financial Support – State of Maryland Matching Funds	600	500	1100
Investment Earnings Realized	6	5	11
TOTAL AMOUNTS RECEIVED	1206	1005	2211
Base Salaries Directly Applicable to Endowment	(120)	(100)	(220)
Purchase of Basic Infrastructure	(6)	(5)	(11)
Indirect Costs	(1)	(1)	(2)
TOTAL EXPENSES	(127)	(106)	(233)
REMAINING FUNDS AVAILABLE	1079	899	1978

THE NARRATIVE REPORT

The annual report certification form requires a narrative report detailing progress on the objectives established by the Research Endowment Plan approved by the Authority.

- The narrative report should summarize the measures taken and results achieved during the reporting year (July 1, 2018 – June 30, 2019), as well as goals and objectives planned for the next fiscal year (FY 2020).
- This is a chance for each chair to tell their story.



REPORTING TEMPLATE

Institutions shall adopt the template and complete it with the information for each award to ensure that each area of reporting has been adequately addressed.

NEWLY ADOPTED EVALUATION CRITERIA

Compliance with Reporting Requirements. The Authority is authorized to consider a NPIHE's lack of compliance with reporting requirements when evaluating new applications. COMAR 24.05.22.05D allows the Authority to consider (1) compliance with other research endowment plans previously approved for the institution; and (2) "such other evaluation criteria as the Authority may establish from time to time." Noncompliance of the reporting requirements (including the proper formatting of reports) will be considered and weighted against a NPIHE who is not in compliance at the time of application submissions.

MARYLAND E-INNOVATION INITIATIVE FUND (MEIF) PROGRAM DISBURSEMENTS

The NPIHE shall submit Quarterly Requests for Disbursement and Certifications in the form of Exhibit A, including requested information and supporting documentation. The Program Manager approves the disbursement and issues an approval letter to the Institution (the “Disbursement Approval”).

Disbursements

Documentation required by COMAR 24.05.22.06(C)(2), (3) and (4), as applicable.

C. In addition to the written request for distribution, the nonprofit institution of higher education shall submit documentation for the qualified donations including: (2) For a qualified donation that includes cash and cash equivalents or marketable securities that has already been received by the nonprofit institution of higher education, a deposit ticket or gift receipt and any designation identified by the donor; (3) For a qualified donation that includes marketable securities, evidence in a form satisfactory to the Authority that the marketable securities are not subject to a lock-up agreement or other restriction on transfer that would prohibit or otherwise restrict the ability of the nonprofit institution of higher education to sell or otherwise dispose of the marketable securities; (4) For a qualified donation that includes an unrestricted gift or bequest, or a portion of an unrestricted gift or bequest, a designation made in writing by the nonprofit institution of higher education and submitted with the request;

MEIF DISBURSEMENT REQUESTS

Quick Guide

- Signed Exhibit A of the Grant Agreement (Request for Disbursement).
- Current proof of receipt and deposit of donor funds into the designated Endowment fund account
- Proof of receipt of any State matching funds received and deposited into the same designated endowment account
- Set up to receive wired funds. NPIHE should ensure that the wiring instructions match the bank account information on the GAD X-10 on file with the General Accounting Division of the Comptroller of Maryland (“GAD”) for the entity to whom and the bank account to which the Disbursement will be transmitted. Questions regarding the GAD X-10 should be directed to the EFT Registration Desk at **GAD at 410-974-7375**.



PROOF OF MATCHING FUNDS DEPOSIT

***Accepted:** Canceled checks; bank statement, copy of NPIHE accounting with highlighted line item showing distinguishable designation.

****Not accepted:** Word table, excel spreadsheet prepared by NPIHE staff.

DISBURSEMENT PROCESS

DISBURSEMENT REQUESTS. NPIHE submits request(s) for specified amount under approved REP from the Authority. Such requests should include evidence of qualified donations (donor/gift agreement signed by the qualified donor). NPIHE should have qualified donations “in hand” though on occasion, not necessarily deposited into the designated research endowment account. For each Fiscal Quarter, the NPIHE may request 25% of the allocated award amount.



REVIEW FOR APPROVAL

REVIEW of DISBURSEMENT REQUESTS BY PROGRAM STAFF.

Program staff reviews disbursement request from NPIHE on behalf of the Authority (***process, reject, request for modification***). If distribution request is consistent with approved REP, the approval of distribution requests should not require special review by the Authority.

DISBURSEMENT OF FUNDS

DISBURSEMENT: Authority, its designee, disburses approved matching fund amount to NPIHE for the designated research endowment fund (ED §6-618(e)).

DONOR FUNDS DEPOSIT DEADLINE

90-DAY DEADLINE. NPIHEs have 90 days to transfer donor funds (or other permitted unrestricted funds) into the designated research endowment fund account (ED §6-619).

SUBMIT REQUEST

When making a request for disbursement, please email Exhibit A form and required documentation to:

fpaaworkflowcoordinator.commerce@maryland.gov

with cc: delterese.george@maryland.state.md.us

If you have any questions, please contact the Delterese George, Portfolio Specialist at 410-767-0438.



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Q & A Session



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THANK YOU!