

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1317
Appropriations

(Delegate Rosenberg, *et al.*)

Higher Education - Maryland Technology Internship Program

This bill establishes a Maryland Technology Internship Program to connect college and university students, recent graduates, and veterans with small innovative businesses in the high-growth technology sector through internships. The Shriver Center located at the University of Maryland, Baltimore County (UMBC) must administer the program. The bill mandates that the Governor include in the State budget funds for (1) the reimbursement of internship stipends and (2) the Shriver Center to administer the program. Money awarded may be used to reimburse a technology-based business up to 50% of a stipend paid to an intern, but not more than (1) \$1,800 for the first semester and (2) \$1,200 for the second semester. The award may not total more than \$3,000 annually for a business. The Shriver Center must prepare and submit to the General Assembly an annual report that includes an accounting of all financial receipts and expenditures that relate to the program.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund expenditures increase by \$191,700 in FY 2015 for the Shriver Center to hire two half-time employees to administer the program, \$120,000 for 40 recipients to receive a \$3,000 stipend, and \$20,000 to design a web portal to match applicants with technology-based businesses. Future year costs reflect the elimination of one-time web design costs after FY 2015, annualization, and inflation. The Department of Business and Economic Development (DBED) can provide support in identifying eligible technology-based small business using existing resources. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2016.**

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	191,700	177,700	180,400	183,100	186,000
Net Effect	(\$191,700)	(\$177,700)	(\$180,400)	(\$183,100)	(\$186,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful. Eligible technology-based small businesses could qualify to host eligible interns and receive up to \$3,000 in State funds to be used to pay intern stipends. However, to receive the State funds the small business must at least match that amount.

Analysis

Bill Summary:

The purposes of the program are to:

- encourage high-achieving students at institutions of higher education in the State to remain in the State after graduation;
- increase student understanding of employment opportunities in the State;
- create connections between students and community business leaders and entrepreneurs and develop opportunities for student involvement in communities;
- assist small technology-based businesses in developing internship programs and recruiting future employees; and
- foster business retention and development, job creation, workforce development, and new investment in the State.

Administration of the Program

To carry out the purposes of the program, the Shriver Center, in collaboration with DBED, must establish an Internet portal through which (1) students may apply online to be matched with technology-based businesses and (2) technology-based businesses may register, post information about internship opportunities, and apply for reimbursement of internship stipends.

In addition, the Shriver Center, in collaboration with DBED, must (1) develop application and registration requirements; (2) develop orientation and training programs for program participants; (3) review applications and award reimbursements of internship stipends under the bill; (4) provide opportunities for students to meet entrepreneurs and visit technology-related industry incubators; (5) provide recruitment and training opportunities and support for participating businesses; and (6) track and assess program outcomes.

Eligible Individuals

Four categories of individuals may be eligible for participation in the program:

- a student enrolled at an eligible institution of higher education *in* the State who maintains a cumulative 3.0 grade point average (GPA) each academic year;
- an individual who, within 12 months before the date of application for the program, graduated from an eligible institution of higher education *in* the State and who maintained a cumulative 3.0 GPA during the latest academic year the individual was enrolled as a student;
- an individual who graduated from a high school *in* the State and who is enrolled at an eligible institution of higher education *outside* the State and maintains a cumulative 3.0 GPA each academic year; and
- an individual who is a veteran.

These eligible individuals must also commit to working at least 10 hours each week or a total of 120 hours during a spring, fall, or summer semester; attend an orientation session provided or approved by the Shriver Center; and meet any other criteria established by the Shriver Center.

Qualified Businesses

To qualify for participation in the program, a business must (1) be located in the State; (2) be a technology-based business; (3) have 150 or fewer employees; (4) commit to hosting an intern for at least 10 hours each week or a total of 120 hours during a spring, fall, or summer semester; (5) provide a detailed description of an intern position with the business; and (6) provide proof that a representative has attended an orientation or training program provided or approved by the Shriver Center.

Assessing Program Outcomes

The Shriver Center must develop a process for tracking and assessing the outcomes of the program including (1) the total number of individuals and businesses participating in the program; (2) the locations of participating businesses; (3) the number of employee hires resulting from internships; (4) the number of participating students remaining in the State after graduation; (5) the effect of the program on student understanding of opportunities for entrepreneurs and small businesses in the State; (6) student skill growth resulting from internship experiences; (7) business growth or improvement resulting from internships; and (8) the effect of the program on the relationships between businesses and institutions of higher education in the State.

The Shriver Center must obtain feedback from program participants (1) at the conclusion of any orientation or training program; (2) at the conclusion of each internship; and (3) at five specified intervals after the conclusion of each internship.

Current Law/Background:

The Shriver Center at UMBC operates the Walter Sondheim Public Service Summer Internship program, service learning programs, the Shriver Peaceworker Program for former Peace Corps volunteers, and the Choice Program that provides a community-based, family-centered case management approach to delinquency prevention and youth development.

Walter Sondheim Jr. Public Service Summer Internship Scholarship Program

Chapter 490 of 2007 established the Walter Sondheim Jr. Public Service Summer Internship Scholarship Program to assist college and graduate students to explore public service career opportunities through summer internships. Priority for participation in the program must be given to eligible students who (1) are residents of the State; (2) have demonstrated interest in careers in public service; and (3) assist in providing legal services to low-income State residents, social work services to low-income State residents, nursing services in nursing shortage areas, or other services in the public or nonprofit sectors in which there is a shortage of qualified practitioners to low-income or underserved residents or areas of the State.

The Shriver Center at UMBC administers the program and serves as a clearinghouse for public and nonprofit entities that wish to hire summer interns from the program. The Shriver Center may award scholarships for \$3,000 under the program each year, subject to the availability of funds.

The Shriver Center advises that the Walter Sondheim Jr. Public Service Summer Internship Scholarship Program has been able to award summer internship scholarships to approximately 45 students annually in recent years out of approximately 200 eligible applicants. The program is supported with State general fund appropriations to UMBC.

Department of Business and Economic Development

DBED reports that it works extensively with companies and could use the resources of the Office of Business Development and the Office of Strategic Industries to identify small businesses for the program.

State Expenditures: The Shriver Center at UMBC estimates that, in addition to the stipends, the cost to *administer* an internship program described in the bill for 40 students is at least \$120,000 per year. The Department of Legislative Services advises that, despite the extensive administrative responsibilities under the bill, administrative costs for that size program only total approximately \$57,700 per year after one-time expenses in fiscal 2015. Thus, general fund expenditures increase by \$191,696 in fiscal 2015. Funding for the program is mandated beginning in fiscal 2016. The assumptions used in this analysis and the future year expenses are explained below.

- It is assumed that approximately 40 students a year receive the maximum State supported stipend of \$3,000. Thus, stipends cost \$120,000 per year.
- The Shriver Center needs one half-time contractual graduate student (on a yearly contract) and one half-time regular manager to administer and evaluate the stipend program. This estimate assumes a 90-day start-up delay following the bill's July 1, 2014 effective date. The half-time manager reviews applications of applicants and businesses, awards stipend reimbursements, and conducts training and orientations. The half-time graduate student obtains feedback from students at the intervals required by the bill and compiles the feedback. Once the program is fully phased in, assuming 40 recipients per year, feedback has to be obtained 280 times per year.
- It is assumed that it costs \$20,000 in fiscal 2015 to design an Internet portal that matches applicants with technology-based businesses.

This estimate reflects the cost of hiring one half-time contractual graduate student (on yearly contracts) and one half-time regular manager at the Shriver Center. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Out-years reflect the elimination of one-time costs and annualization of ongoing expenses. Since mandated appropriations do not take effect until the fiscal year

following a bill's enactment, beginning in fiscal 2016, the Governor is required to include funds for the program in the State budget.

	<u>FY 2015</u>	<u>FY 2016</u>
New Contractual Position	0.5	
New Regular Position	0.5	
Salaries and Fringe Benefits	\$42,521	\$57,138
Web Design	20,000	0
Stipends (40 @ \$3,000)	120,000	120,000
Start-up/Operating Expenses	<u>9,175</u>	<u>586</u>
Total	\$191,696	\$177,724

Small Business Effect: Eligible technology-based small businesses could qualify to host eligible interns and receive up to \$3,000 in State funds to be used to pay intern stipends. However, to receive the State funds the small businesses needs to at least match that amount for the intern's stipend. In addition, meeting the requirements to qualify for the program, such as writing a detailed description of an intern position and attending a training session, may increase businesses expenditures minimally. On the other hand, the participating small businesses may be matched with well qualified interns who could become future employees, which could reduce recruitment costs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Department of Budget and Management, Maryland Higher Education Commission, University System of Maryland, Department of Veterans Affairs, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2014
ncs/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510