

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 902

(Senator Middleton, *et al.*)

Education, Health, and Environmental Affairs and
 Budget and Taxation

Environmental Matters

Rural Maryland Prosperity Investment Fund

This bill establishes a Rural Maryland Prosperity Investment Fund to be administered by the Rural Maryland Council (RMC) with the assistance of the Maryland Agricultural Education and Rural Development Assistance Board (the board). The objective of the fund is to help raise the overall standard of living in rural areas to a level that meets or exceeds statewide benchmark averages by 2020, while preserving the best aspects of a pastoral heritage and rural way of life. The bill authorizes the Governor, for fiscal 2008 through 2020, to include an appropriation in the budget bill for the fund.

The bill takes effect July 1, 2006 and terminates June 30, 2020.

Fiscal Summary

State Effect: General fund expenditures could increase by at least \$500,000 annually from FY 2008 through 2020 in order to provide an appropriation to the fund. Special fund revenues and expenditures would increase correspondingly.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$0	\$500,000	\$500,000	\$500,000	\$500,000
GF Expenditure	0	500,000	500,000	500,000	500,000
SF Expenditure	0	500,000	500,000	500,000	500,000
Net Effect	\$0	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)

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

Local Effect: Local governments in rural areas could be grant recipients and may be able to leverage additional federal funding as a result. Local governments in rural areas could benefit if the fund succeeds in raising the overall standard of living in those areas.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The stated purpose of the fund is to provide funding to rural regional and statewide planning and development organizations, institutions of higher education serving rural communities, rural community development organizations, and local governments acting in partnership with one another to promote the quality of life in rural areas.

Disbursements from the fund must be allocated equally among rural regional planning and development assistance; specified regional infrastructure projects; specified rural entrepreneurship development; and rural community development, programmatic assistance, and education. The bill authorizes the board to reallocate money from one of the allowable categories to another category under specified conditions. Any money received by RMC must be used to help administer the fund and perform other functions that benefit rural areas as RMC determines.

The board must award grants from the fund on a competitive basis. Grant recipients must submit written documentation to RMC regarding how the grant was used. RMC must submit an annual report to the Governor and the General Assembly that summarizes the activities of the fund during the preceding fiscal year.

Current Law: Originally known as the Forum for Rural Maryland, RMC is a State rural development council that brings together citizens and representatives of public-sector entities and private-sector organizations to collaboratively address problems and challenges facing rural communities. For administrative and budgetary purposes, RMC is placed under the Maryland Department of Agriculture (MDA).

Chapter 552 of 2000 established the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF) to provide funding to rural regional planning and economic development organizations and rural community development programs as well as to augment the efforts of advanced technology centers that serve agricultural- and natural resources-based small businesses in rural areas through community colleges. MAERDAF was originally administered by the Board of Public Works and the Department of Business and Economic Development (DBED), but Chapter 266 of 2003, which consolidated the State's rural capacity development programs, transferred the administration of the fund to RMC.

The board, which consists of representatives from DBED, MDA, the Department of Housing and Community Development, the Department of Natural Resources, and RMC,

reviews grant applications and makes recommendations to RMC regarding grant recipients and amounts.

Five regional councils serve as regional planning and economic development agencies in Maryland: the Mid-Shore Regional Council, the Lower Eastern Shore Regional Council, the Tri-County Council for Southern Maryland, the Tri-County Council for Western Maryland, and the Upper Shore Regional Council.

Background: In 2001, the National Conference of State Legislatures (NCSL) established a Rural Development Task Force, charged with exploring how legislatures can institutionalize mechanisms to address rural issues in a coordinated and sustained way. Subsequently, in 2002, the task force developed 10 principles for rural development for states to consider when deliberating on rural challenges. In summary, the 10 principles are:

- Rural communities deserve fair and equitable governance. Government programs should consider and address rural concerns, where appropriate.
- States should have an agency with adequate resources that considers the full array of rural issues.
- Local leadership capacity is part of the basic infrastructure necessary for any effort to succeed. States must help enhance individual and social capital in all its forms.
- Rural America may need disproportionate help to finance its programs or initiatives.
- Government must take the lead in the development and deployment of telecommunications capacity for rural America.
- Agricultural and natural resource industries must be sustained as essential components of strong rural economies.
- Rural communities have unique natural assets, and government must participate in preserving, developing, and marketing these resources.
- Rural communities need regional and intergovernmental cooperation to succeed.
- Economic development efforts should support rural quality of life features.
- State taxing structures should not result in an over-reliance on a single revenue source or place a disproportionate burden on rural communities.

The proposed Rural Maryland Prosperity Investment Fund is designed to implement several of the NCSL recommendations.

According to RMC, in 2004, rural Maryland's population totaled approximately 1.6 million, or almost 29% of the State's total population. RMC advises that the people

living in Maryland's rural counties continue to face a variety of challenges, including changing economic conditions, an aging population, inadequate access to health care, and deteriorating or inadequate physical infrastructure.

State Fiscal Effect: According to RMC, the fund is designed to accommodate between \$500,000 and \$4 million annually from fiscal 2008 through 2020. Although the bill does not mandate funding, for purposes of this fiscal note, it is assumed that at least \$500,000 annually in general funds would be appropriated to the fund. Based on information provided by RMC, this is the level of funding that would be needed to support a minimum viable program. Special fund revenues and expenditures would increase correspondingly.

The bill requires disbursements from the fund to be allocated equally among four categories. At a funding level of \$500,000 annually, expenditures from the fund would be distributed as follows:

- \$125,000 in funding to one or more of the five regional councils and/or multi-county efforts serving rural areas not served by the rural regional councils;
- \$125,000 in funding to support rural regional infrastructure projects;
- \$125,000 in funding to nonprofit organizations and institutions of higher education for programs specifically supporting rural entrepreneurship;
- \$62,500 to MAERDAF for distribution to eligible nonprofit organizations and community colleges; and
- \$62,500 to RMC to help cover its administrative costs and perform other functions that benefit rural communities.

RMC advises that existing staff would administer the fund.

Small Business Effect: Grants that support entrepreneurial development could have a positive impact on small businesses in rural areas. Other small businesses in rural areas could benefit to the extent that the fund succeeds in raising the overall standard of living in those areas.

Additional Information

Prior Introductions: None.

Cross File: HB 1487 (Delegate Conway, *et al.*) – Environmental Matters.

Information Source(s): Maryland Department of Agriculture (Rural Maryland Council), Department of Business and Economic Development, Department of Health and Mental Hygiene, Department of Housing and Community Development, Department of Natural Resources, Maryland Department of Planning, Board of Public Works, Cecil County, Harford County, Prince George's County, St. Mary's County, Department of Legislative Services

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