

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 1026
 Ways and Means

(Delegates Palakovich Carr and Feldmark)

Finance

Economic Development Programs - Data Collection, Tracking, and Reporting
 Requirements - Alteration

This bill expands the definition of “economic development program” for purposes of specified data collection, tracking, and reporting requirements under the Maryland Jobs Development Act to include four more tax credits. Additionally, by December 31, 2020, the Department of Commerce (Commerce) must establish, maintain, and annually update a publicly available database on the department’s website that provides related information on its economic development programs. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General fund expenditures increase by at least \$100,700 in FY 2021, as discussed below. Future years reflect annualization and the elimination of one-time costs. Revenues are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	100,700	93,600	96,400	99,700	103,100
Net Effect	(\$100,700)	(\$93,600)	(\$96,400)	(\$99,700)	(\$103,100)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The database that Commerce must establish, maintain, and annually update must include specified additional information for each of the department's economic development programs, including:

- the name of each business entity that is a recipient of an economic development program;
- the total amount of tax credits certified, financial assistance paid, and loans forgiven or uncollectible by the department, reported in the aggregate for each economic development program and each recipient of the tax credit or financial assistance;
- information related to the number of jobs created and the average salary, if applicable; and
- a statement indicating whether, during the current reporting year, the department reduced, revoked, or recaptured a tax credit or any amount of financial assistance from a recipient and related information, if applicable.

The tax credits added to the definition of “economic development program” are:

- the More Jobs for Marylanders Tax Credit;
- the Purchase of Cybersecurity Technology or Service Tax Credit;
- the Opportunity Zone Enhancement Tax Credit; and
- the Small Business Relief Tax Credit.

Current Law/Background: Commerce must annually provide a report to the Governor and the General Assembly on specified outcomes related to the department's economic development programs, including each tax credit program defined as such a program. The report must include the following data, if applicable, on the programs:

- the number of jobs created;
- the number of jobs retained;
- the estimated amount of State revenue generated;
- the status of any special fund; and
- any additional information required by Commerce through regulations.

The data must be provided in the aggregate, but also disaggregated by each program and each recipient of assistance from a program. The report must also include any additional information required under the law authorizing a particular program. Finally, if a recipient of assistance from a program is not meeting the program's requirements, Commerce must implement a process to assist the recipient in doing so.

Economic Development Program Database Exists – But with Less Extensive Data

In fiscal 2010, Commerce implemented an online, downloadable, database of its finance and tax incentive programs on its [website](#) that is similar to, but less extensive than, the database required by the bill. For example, the database reports the name of the recipient, the amount of assistance received, and the number of new or retained jobs, if applicable.

State Expenditures: Commerce advises that it requires an additional staff to assist with collecting, uploading, and then updating the information required by the bill for its various economic development programs. Accordingly, general fund expenditures increase by \$100,686 in fiscal 2021, which accounts for the bill’s July 1, 2020 effective date. This estimate reflects the cost of hiring one programmer/analyst to update or rebuild the online database and coordinate the collection of data across the department’s various programs. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salary and Fringe Benefits	\$95,161
Other Operating Expenses	<u>5,525</u>
Total FY 2021 State Expenditures	\$100,686

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses. Commerce further advises that it requires additional software to assist with data tracking, estimating the cost at approximately \$100,000 annually. The Department of Legislative Services cannot independently verify the need for or cost of this software, particularly with the assumed addition of a full-time programmer/analyst. As such, software costs are not included in the above estimate. However, they remain a possibility.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Commerce; Comptroller’s Office; Department of Legislative Services

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