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**By: Senators Amoss, Miller, Hoffman, Currie, Lawlah, Munson, Middleton, Boozer, and Hogan**

Introduced and read first time: January 16, 1997

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Economic Development - Loans Guaranteed by Political Subdivisions**

3 FOR the purpose of altering certain requirements of certain subdivisions receiving  
4 certain financial assistance under the Maryland Industrial Land Act and from the  
5 Maryland Industrial and Commercial Redevelopment Fund; requiring that certain  
6 investment earnings from the Industrial and Commercial Redevelopment Fund be  
7 paid to the Industrial and Commercial Redevelopment Fund rather than the  
8 General Fund; making a stylistic change; altering the Secretary's authority to make  
9 certain transfers among certain accounts within the Department or subject to its  
10 control; altering the Secretary's authority to modify certain terms of certain  
11 financial assistance under certain circumstances under the Maryland Industrial  
12 Land Act and the Industrial and Commercial Redevelopment Fund; and generally  
13 relating to the Maryland Industrial Land Act and the Industrial and Commercial  
14 Redevelopment Fund.

15 BY repealing and reenacting, with amendments,  
16 Article 83A - Department of Business and Economic Development  
17 Section 5-103, 5-705(f), 5-708, 5-712, 5-715, 5-802, 5-803(c), and 5-806  
18 Annotated Code of Maryland  
19 (1995 Replacement Volume and 1996 Supplement)

20 BY adding to  
21 Article 83A - Department of Business and Economic Development  
22 Section 5-716  
23 Annotated Code of Maryland  
24 (1995 Replacement Volume and 1996 Supplement)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
26 MARYLAND, That the Laws of Maryland read as follows:

27 **Article 83A - Department of Business and Economic Development**

28 5-103.

29 (a) Notwithstanding any other provision of law EXCEPT FOR §§ 5-715 AND 5-802  
30 OF THIS ARTICLE, the Secretary may transfer funds among any of the various accounts

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1 within the Department or subject to its control, that are used to provide financial support  
2 of any kind.

3 (b) Notwithstanding any other provision of law EXCEPT FOR §§ 5-715 AND 5-802  
4 OF THIS ARTICLE, the Secretary may transfer funds from any of the accounts described  
5 in subsection (a) of this section to the Economic Development Opportunities Program  
6 Fund established under § 7-314 of the State Finance and Procurement Article.

7 (c) Where applicable, transfers under this section must comply with the  
8 provisions of §§ 5-930(g) and 5-932(h) of this article.

9 (d) The Secretary shall accomplish any transfer under this section in accordance  
10 with the appropriation amendment process under § 7-209 of the State Finance and  
11 Procurement Article.

12 5-705.

13 (f) (1) The Secretary may, upon application and after investigation, approve a  
14 loan not exceeding \$25,000 and on [an equal] A 10 PERCENT matching basis with funds  
15 of the borrowing subdivision, for the purpose of financing planning or engineering study  
16 costs of or for a project [situate] SITUATED or to be [situate] SITUATED on land owned  
17 by or under option to the borrowing subdivision or owned by the federal government  
18 upon reasonable assurance that the site will be made available to the subdivision.

19 (2) Upon approval of any such loan, the Secretary and the subdivision shall  
20 enter into a loan agreement requiring repayment within five years at an interest rate  
21 calculated pursuant to § 5-704(c)(2)(iii) of this subtitle and in accordance with an  
22 amortization schedule approved by the Secretary.

23 5-708.

24 (a) On application and upon complying with the requirements of § 5-704(a) after  
25 investigation, the Secretary may approve a loan, not exceeding \$50,000 and on [an equal]  
26 A 10 PERCENT matching basis with funds of the borrowing subdivision, for the purpose of  
27 acquiring options to purchase prospective industrial land sites or industrial park sites.

28 (b) On approval of a loan under this section, the Secretary and the borrowing  
29 subdivision shall enter into a loan agreement requiring repayment within seven years at  
30 an interest rate calculated pursuant to § 5-704(c)(2)(iii) of this subtitle, and in  
31 accordance with an amortization schedule approved by the Secretary. The loan  
32 agreement may require repayment from the proceeds of any loan made under § 5-704 or  
33 § 5-705 of this subtitle.

34 5-712.

35 [A] THE FIRST 40 PERCENT OF A loan under this subtitle is a general obligation of  
36 the borrowing subdivision, to the repayment of which the subdivision's full faith and  
37 credit are pledged or an obligation of Baltimore City repayable from assets and revenues  
38 as provided in the loan agreement. However, notwithstanding any other provision of law,  
39 a loan to Baltimore City, Baltimore County, Prince George's County, or any municipal  
40 corporations, under this subtitle may be undertaken or entered into by the counties,  
41 municipal corporations, or Baltimore City pursuant to and within the limitations of this  
42 subtitle without regard to any limitations set forth in its charter or other applicable public

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1 local or public general law that would otherwise apply, and without complying with any  
2 procedures set forth in its charter or other applicable public local or public general law  
3 that would otherwise be required. The Secretary, upon the sale of any part of the land  
4 subject to the lien of a loan agreement and prepayment of principal as provided in this  
5 subtitle, or where land subject to the lien of a loan agreement as provided in this subtitle  
6 is reserved for use for an entire industrial park, shall execute a partial release of such land  
7 from the lien of the loan agreement.

8 5-715.

9 (A) Any moneys received in payment of interest and repayment of principal under  
10 loan agreements provided for in this subtitle shall be deposited in the Treasury and shall  
11 constitute a permanent special fund to be known as the "Industrial Land Fund". The  
12 moneys in the Industrial Land Fund from time to time may be expended (1) for the same  
13 purposes as the proceeds of the loan authorized by this subtitle, and (2) to pay any and all  
14 expenses in connection with the administration of this subtitle including, by way of  
15 example, expenses for administration, legal, actuarial, and other services, and such  
16 moneys shall be used for no other purpose.

17 (B) (1) EXCEPT TO THE INDUSTRIAL AND COMMERCIAL REDEVELOPMENT  
18 FUND, THE SECRETARY MAY NOT TRANSFER FUNDS FROM THE FUND TO ANY OF  
19 THE VARIOUS ACCOUNTS WITHIN THE DEPARTMENT OR SUBJECT TO ITS CONTROL.

20 (2) THE SECRETARY SHALL ACCOMPLISH ANY TRANSFER UNDER THIS  
21 SECTION IN ACCORDANCE WITH THE APPROPRIATION AMENDMENT PROCESS  
22 UNDER § 7-209 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

23 5-716.

24 THE SECRETARY MAY MODIFY THE TERMS OF ANY FINANCIAL ASSISTANCE  
25 PROVIDED UNDER THIS SUBTITLE, INCLUDING THE RATE OF INTEREST, THE TIMING  
26 OR AMOUNT OF REPAYMENT, FORGIVENESS OF PRINCIPAL AND INTEREST, OR ANY  
27 OTHER TERM, IF THE SECRETARY OBTAINS THE PRIOR APPROVAL OF THE BOARD  
28 OF PUBLIC WORKS AND THE POLITICAL SUBDIVISION THAT RECEIVED THE  
29 FINANCIAL ASSISTANCE.

30 5-802.

31 (a) There is an Industrial and Commercial Redevelopment Fund.

32 (b) The Fund is a continuing, nonlapsing special fund that consists of moneys  
33 appropriated by the State to the Fund and of any repayment of principal or interest on a  
34 loan made from the Fund.

35 (c) The Department shall manage and supervise the Fund.

36 (d) The State Treasurer shall hold, and the State Comptroller shall account for  
37 the Fund.

38 (e) The Fund shall be invested and reinvested in the same manner as other State  
39 funds. Any investment earnings of the Fund [shall be paid into the General Fund of the  
40 State.] MAY NOT BE TRANSFERRED OR REVERT BACK TO THE GENERAL FUND, BUT

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1 SHALL REMAIN IN THE FUND TO BE USED FOR PURPOSES SPECIFIED IN THIS  
2 SUBTITLE.

3 (f) On July 1 of each year, moneys in the Fund in excess of \$15,000,000 shall be  
4 paid over to the General Fund of the State.

5 (g) The moneys in the Fund may be expended to pay all expenses in connection  
6 with the administration of this subtitle, including expenses for administrative, legal,  
7 actuarial, and other services.

8 (H) (1) EXCEPT TO THE INDUSTRIAL LAND FUND, THE SECRETARY MAY  
9 NOT TRANSFER FUNDS FROM THE FUND TO ANY OF THE VARIOUS ACCOUNTS  
10 WITHIN THE DEPARTMENT OR SUBJECT TO ITS CONTROL.

11 (2) THE SECRETARY SHALL ACCOMPLISH ANY TRANSFER UNDER THIS  
12 SECTION IN ACCORDANCE WITH THE APPROPRIATION AMENDMENT PROCESS  
13 UNDER § 7-209 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

14 5-803.

15 (c) (1) A loan or grant may be for up to 90 percent of the nonfederal and  
16 nonprivate portion of the eligible project costs. However, a loan that, as to principal, is to  
17 be repaid in full may not exceed \$3,000,000. Any other loan or grant may not exceed  
18 \$2,000,000. The aggregate cumulative total of grants and outstanding principal balance of  
19 loans, made to or within any one county or, Baltimore City, may not exceed 40 percent of  
20 the aggregate cumulative total of appropriations and payments to the Fund, except that  
21 the aggregate cumulative total of grants and outstanding principal balance of loans may  
22 exceed the 40 percent limitation by an additional sum not to exceed 25 percent of such  
23 amount, if the additional sum is restricted to loans made to a political subdivision  
24 exclusively for use within an area designated an enterprise zone pursuant to § 5-402 of  
25 this article. Not more than 50 percent of the cumulative total of appropriations and  
26 payments to the Fund may be made available as grants or loans to all of the designated  
27 enterprise zones in the State.

28 (2) As determined by the Secretary, the principal of a loan:

29 (i) May be repayable, in whole or in part, from specified revenues or  
30 on a contingency;

31 (ii) May be noninterest bearing or bear interest at a rate of not more  
32 than 1/8 of 1 percent plus the interest cost of the:

33 1. Most recent State general obligation bond issue preceding  
34 approval by the Secretary of the application for the loan for a loan made from sources  
35 other than State general obligation bond proceeds; or

36 2. State general obligation bond issue out of which the loan is  
37 made for a loan made from the proceeds of a State general obligation bond issue;

38 (iii) To the extent that it is to be repaid, may be repayable in  
39 accordance with any schedule, with maturity of up to 25 years; and

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1 (iv) To the extent that it is to be repaid, THE FIRST 40 PERCENT OF  
2 THE OBLIGATION is a general obligation secured by the assets and revenues of the  
3 political subdivisions that will assure repayment. However, notwithstanding any other  
4 provision of law, a loan to Baltimore City, Baltimore County, or Prince George's County,  
5 under this subtitle may be undertaken or entered into by the counties or Baltimore City  
6 pursuant to and within the limitations of this subtitle without regard to any limitations set  
7 forth in its charter or other applicable public local or public general law that would  
8 otherwise apply, and without complying with any procedures set forth in its charter or  
9 other applicable public local or public general law that would otherwise be required.

10 5-806.

11 (A) If an application for a grant or loan meets the general criterion and supporting  
12 factors and is justified in relation to competing applications and the amount of funds  
13 available, the Secretary shall make a preliminary finding of feasibility and communicate  
14 to the political subdivision any recommended changes in the project plan and any  
15 conditions to the loan or grant, not inconsistent with this subtitle or other law. The  
16 project plan, including the terms of the loan or grant, as revised by the process of  
17 consultation between the political subdivision and the Department, shall be submitted to  
18 the local governing body in its final form. On approval of the final plan, by ordinance or  
19 resolution, the Secretary shall recommend to the Board of Public Works approval of the  
20 loan or grant. The Board of Public Works may approve the loan or grant conditional on  
21 modifying its terms.

22 (B) THE SECRETARY MAY EXTEND THE TERM OF A LOAN OR GRANT MADE IN  
23 ACCORDANCE WITH THIS SUBTITLE WITH THE PRIOR APPROVAL OF THE BOARD OF  
24 PUBLIC WORKS AND THE POLITICAL SUBDIVISION THAT RECEIVED THE FINANCIAL  
25 ASSISTANCE.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
27 October 1, 1997.