
By: **Chairman, Economic Matters Committee (Departmental - Dept.
Business & Economic Dev.)**

Introduced and read first time: February 4, 1998

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 18, 1998

CHAPTER _____

1 AN ACT concerning

2 **Maryland Economic Adjustment Fund**

3 FOR the purpose of changing the name of the Defense Adjustment Loan Fund to the
4 Maryland Economic Adjustment Fund; authorizing the Fund to be used for
5 grants for certain revolving loan funds; altering the maximum loan limit;
6 permitting loan proceeds to be used for certain purposes; clarifying language;
7 and generally relating to the Maryland Economic Adjustment Fund.

8 BY repealing and reenacting, with amendments,
9 Article 83A - Department of Business and Economic Development
10 Section 6-501 through 6-509, inclusive, to be under the amended subtitle
11 "Subtitle 5. Maryland Economic Adjustment Fund"
12 Annotated Code of Maryland
13 (1995 Replacement Volume and 1997 Supplement)

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

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

17 Subtitle 5. [Defense Adjustment Loan] MARYLAND ECONOMIC ADJUSTMENT
18 Fund.

19 6-501.

20 (a) In this subtitle the following words have the meanings indicated.

1 (b) "Committee" means the [Defense] MARYLAND ECONOMIC Adjustment
2 Financing Committee.

3 (c) "Defense contractors" means companies that have over the 5 years before
4 their application for a [defense adjustment] loan derived a substantial amount of
5 their revenues from defense contracts.

6 (d) "Fund" means the [Defense Adjustment Loan] MARYLAND ECONOMIC
7 ADJUSTMENT Fund.

8 (e) (1) "Working capital" means funds to be used for current operations of a
9 business.

10 (2) "Working capital" includes funds for supplies, materials, labor,
11 equipment, rent, software, marketing, insurance, and fees for professional services.

12 6-502.

13 There is a [Defense Adjustment Loan] MARYLAND ECONOMIC ADJUSTMENT
14 Fund administered by the Department.

15 6-503.

16 (a) (1) The [Defense Adjustment Loan] MARYLAND ECONOMIC
17 ADJUSTMENT Fund shall be used as a nonlapsing revolving fund to make loans to
18 new or existing companies in communities suffering dislocation due to defense
19 adjustments to enable the companies to modernize their manufacturing operations,
20 develop commercial applications for technology, or enter into and compete in new
21 economic markets.

22 (2) THE FUND MAY BE USED TO GRANT MONEYS TO A LOCAL OR
23 REGIONAL MARYLAND GOVERNMENTAL OR NONPROFIT REVOLVING LOAN FUND.

24 (b) No part of this subtitle may be construed to obligate or require funding
25 from the general funds of the State, regardless of the availability of other funding
26 sources for the purposes of the Fund.

27 (c) The Secretary may delegate the underwriting, closing, monitoring, and
28 workout functions for loans funded by the [Defense Adjustment Loan] Fund to any
29 division within the Department or may contract with another entity to perform these
30 functions for the [Defense Adjustment Loan] Fund.

31 6-504.

32 (a) There is a [Defense] MARYLAND ECONOMIC Adjustment Financing
33 Committee.

34 (b) (1) The Committee shall consist of at least seven members appointed by
35 the Secretary.

1 (2) The Secretary shall appoint the members of the Committee so that
2 the membership of the Committee reflects the geographic, racial, ethnic, and gender
3 makeup of the population of the State, with consideration being given to appointment
4 of at least one current or former defense worker or other representative of labor.

5 (c) (1) The term of an appointed member is at least 2 years.

6 (2) The terms of appointed members shall be staggered.

7 (3) At the end of a term, an appointed member continues to serve until a
8 successor is appointed.

9 (4) A member who is appointed after a term has begun serves only for
10 the rest of the term and until a successor is appointed.

11 (5) A member serves at the pleasure of the Secretary.

12 (d) The Committee shall exercise its powers and perform its duties subject to
13 the authority of the Secretary.

14 (e) The Committee shall:

15 (1) Determine whether to approve loan requests from qualified
16 applicants for [defense adjustment] loans; and

17 (2) Set the terms and conditions for such loans.

18 (f) The exercise by the Committee of the powers granted by this subtitle
19 constitutes an essential government function.

20 (g) The Committee shall determine the times and places of its meetings.

21 (h) Each member of the Committee is entitled to reimbursement for expenses
22 under the Standard State Travel Regulations, as provided in the State budget.

23 (i) Any determination by the Committee with respect to financial assistance
24 under this subtitle is subject to the provisions of the Maryland Public Ethics Law.

25 (j) The existence of any conflict of interest or any violation of the Maryland
26 Public Ethics Law may not be construed to affect:

27 (1) The validity of any finding or determination made under this
28 subtitle; or

29 (2) The enforceability of any agreement entered into under this subtitle.

30 (k) In addition to any other powers set forth in this subtitle, the Committee
31 may:

32 (1) Adopt bylaws to regulate its affairs and the conduct of its business;

- 1 (2) Contract for and engage the services of consultants;
- 2 (3) Elect a chairperson and vice chairperson from among its members;
- 3 and
- 4 (4) Do anything necessary or convenient to carry out its powers and the
- 5 purposes of this subtitle.

6 6-505.

7 (a) All moneys received and designated for the [Defense Adjustment Loan]
8 MARYLAND ECONOMIC ADJUSTMENT Fund shall be placed in the [Defense
9 Adjustment Loan] Fund and administered by the Department, including:

10 (1) Federal funds allocated or granted to the [Defense Adjustment Loan]
11 Fund, including the Economic Development Administration Defense Conversion Act
12 adjustment implementation grant funds designated for the Fund;

13 (2) Private moneys donated or granted to the [Defense Adjustment
14 Loan] Fund;

15 (3) Moneys appropriated by the State to the [Defense Adjustment Loan]
16 Fund;

17 (4) Premiums, fees, interest payments, and principal payments on
18 [defense adjustment] loans;

19 (5) Income from investments that the State Treasurer, on instruction of
20 the Department, makes for the Department under this subtitle;

21 (6) Proceeds from the sale, disposition, lease, or rental of collateral
22 relating to [defense adjustment] loans;

23 (7) Repayment of principal or interest on any [defense] MARYLAND
24 ECONOMIC adjustment loan financed by the Economic Development Opportunities
25 Program Fund in accordance with § 7-314(f) of the State Finance and Procurement
26 Article; and

27 (8) Any other moneys made available to the [Defense Adjustment Loan]
28 Fund.

29 (b) The [Defense Adjustment Loan] Fund shall be used to pay all expenses
30 and disbursements authorized by the Department for administering the [Defense
31 Adjustment Loan] Fund, MAKE GRANTS TO LOCAL OR REGIONAL MARYLAND
32 GOVERNMENTAL OR NONPROFIT ECONOMIC DEVELOPMENT REVOLVING LOAN
33 FUNDS, and [making] MAKE [defense adjustment] loans to eligible companies in this
34 State, including, by way of example:

35 (1) Advances of loan proceeds for [defense adjustment] loans; and

1 (2) To the extent permitted by the regulations of the Economic
2 Development Administration, expenses for administrative, legal, actuarial, technical
3 assistance, and other services.

4 (c) In making [defense adjustment] loans under this subtitle, priority shall be
5 given to:

6 (1) Defense contractors; and

7 (2) Companies started by former defense workers who lost their jobs
8 with defense contractors.

9 6-506.

10 Annually, the State Treasurer shall report to the Department as to:

11 (1) The status of the money invested under this subtitle;

12 (2) The market value of the assets in the [Defense Adjustment Loan]
13 Fund as of the date of the report; and

14 (3) The interest received from investments for the [Defense Adjustment
15 Loan] Fund during the period covered by the report.

16 6-507.

17 Subject to the restrictions of this subtitle, the Department, on application, may
18 provide a loan from the [Defense Adjustment Loan] Fund to an applicant only if:

19 (1) The applicant meets the qualifications required by this subtitle; and

20 (2) The applicant meets any additional requirements imposed by the
21 source of the funds to be loaned.

22 6-508.

23 (a) To apply for [financial assistance] A LOAN, an applicant shall submit to
24 the Department an application on the form that the Department requires.

25 (b) The application shall include:

26 (1) A detailed strategic business plan for achieving a goal of technology
27 commercialization or manufacturing modernization for long term growth;

28 (2) The total amount of funds required for the activities described in the
29 strategic business plan;

30 (3) The funds available to the applicant without financial assistance
31 from the Department;

32 (4) The amount of financial assistance sought from the Department;

1 (5) Information concerning where in the State the activities to be
2 financed with the [defense adjustment] loan will take place and what economic
3 impact the activities are expected to have on that area;

4 (6) Evidence of the inability of the applicant to obtain the financing
5 necessary for the activities described in the strategic business plan on affordable
6 terms through normal lending channels;

7 (7) Information that relates to the financial status of the applicant,
8 including, if applicable:

9 (i) A current balance sheet;

10 (ii) A profit and loss statement; and

11 (iii) Credit references; and

12 (8) Any other relevant information that the Department requests.

13 6-509.

14 (a) Except as provided in this subtitle, the Department may set the terms and
15 conditions for [defense adjustment] loans AND GRANTS.

16 (b) If the Department decides to lend money to an applicant, the Department
17 shall prepare loan documents.

18 (c) The loan documents shall include:

19 (1) The rate of interest on the loan;

20 (2) The amount of the loan;

21 (3) Provisions for repayment of the loan, provided that the provisions for
22 repayment may, in the Committee's discretion, be based on a flexible repayment
23 schedule; and

24 (4) Any other provisions that the Department determines are necessary,
25 including the taking of liens and security interests in real and personal property.

26 (d) (1) Mortgages or deeds of trust held as security for loans made under
27 this subsection that are in default may be foreclosed by the Department in the same
28 manner as provided by the Maryland Rules of Procedure for foreclosures in private
29 transactions.

30 (2) The Department may take title in its name to any property foreclosed
31 and convey title to the property to bona fide purchasers of the property.

32 (e) The maximum amount of a [defense adjustment] loan MADE WITH
33 ECONOMIC DEVELOPMENT ADMINISTRATION FUNDS may not exceed the limit set by
34 the regulations of the Economic Development Administration.

1 (f) The minimum interest rate for a [defense adjustment] loan shall be a
2 fixed rate of 4 percent per annum.

3 (g) The proceeds of [defense adjustment] loans may be used for working
4 capital, EQUIPMENT, FURNISHINGS, FIXTURES, AND THE CONSTRUCTION,
5 REHABILITATION, OR PURCHASE OF REAL PROPERTY for the [defense adjustment]
6 activities approved by the Committee.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
8 effect July 1, 1998.