

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1051 (Delegate Marriott. *et al.*)

Appropriations

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**Neighborhood Business Development Program and Fund**

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This bill transfers 10% of the annual appropriation to the “Sunny Day Fund” in the Department of Business and Economic Development (DBED) to the Neighborhood Business Development Fund in the Department of Housing and Community Development (DHCD) beginning in fiscal 1999.

This bill takes effect July 1, 1998.

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**Fiscal Summary**

**State Effect:** Decrease of \$2.45 million in DBED’s Sunny Day Fund with a corresponding increase in DHCD’s Neighborhood Business Development Fund.

**Local Effect:** To the extent that businesses that receive State economic development aid are located in different jurisdictions than they would have been absent this bill, certain jurisdictions could be affected.

**Small Business Effect:** Potential meaningful effect on small businesses.

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**Fiscal Analysis**

**Background:** The Economic Development Opportunities Program (“Sunny Day”) Fund was created in 1988 to enable Maryland to act on extraordinary economic development proposals that require financial assistance beyond the capabilities of existing State and local financing programs. The fund, which is administered by DBED, is used to attract, retain, and expand business facilities in the State. Expenditures from the fund require the approval of the Legislative Policy Committee. Since its inception, 74 projects have been approved representing a total commitment of \$94.2 million.

The Neighborhood Business Development Program, which is administered by DHCD, was created in 1995 to provide flexible gap financing to encourage businesses to locate or expand in designated revitalization areas. According to the fiscal 1997 status report, 85 loans and grants have been awarded, allocating the full \$14 million in appropriations which were available. The fiscal 1999 allowance for the program is \$7 million and DHCD estimates a zero ending fund balance for fiscal 1998.

**State Effect:** Based on the proposed fiscal 1999 \$24.5 million allowance for the Sunny Day Fund, the bill would transfer \$2.45 million from DBED's Sunny Day Fund to DHCD's Neighborhood Business Development Program.

DHCD advises that expenditures would increase by about an additional \$71,000 annually reflecting the cost of one loan underwriter, one secretary, and operating costs. Legislative Services advises that any additional operating expenses for the program could be paid out of the transfer of funds from DBED.

**Local Effect:** To the extent that businesses that receive State economic development aid are located in different jurisdictions than they would have been absent this bill, certain jurisdictions could be affected. Tax revenues could increase in those jurisdictions where businesses receive additional State economic development aid, while revenues could decrease in jurisdictions where businesses receive less aid. Similarly, expenditures could increase to the extent that local governments participate in the development projects, while expenditures could decrease in other jurisdictions.

**Small Business Effect:** Given that few of the Sunny Day Fund awards have gone to small businesses while most of Neighborhood Business Development Program awards have, it is likely that some small businesses would benefit from the transfer of funds under this bill. However, any indirect effect of Sunny Day Fund projects on small businesses would be foregone.

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**Information Source(s):** Department of Business and Economic Development, Department of Housing and Community Development, Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 1998

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