

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 412 (Chairman, Economic Matters Committee)
(Departmental - Dept. Business & Economic Dev.)

Appropriations

Maryland Economic Development Revenue Bond Act - Sunset Repeal

This departmental bill repeals the September 30, 1998 sunset provision of Chapter 327 of 1995. Chapter 327 authorizes up to 25% of economic development revenue bonds issued by the Maryland Industrial Development Financing Authority (MIDFA) and political subdivisions and their authorities to be used as working capital if the bonds are secured by letters of credit or interests in property.

This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: State finances related to the issuance of economic development revenue bonds would continue in FY 1999.

Local Effect: Local government finances related to the issuance of economic development revenue bonds would continue in FY 1999.

Small Business Effect: The Department of Business and Economic Development (DBED) advises that the bill will have minimal or no economic impact on small businesses (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Effect: State finances related to the issuance of economic development revenue bonds would be maintained since the bill repeals the sunset of the provision that authorizes the issuance of revenue bonds to finance up to 25% of working capital expenditures if the bonds are secured by letters of credit or interests in property. MIDFA issues tax-exempt and

taxable bonds, charging a \$10,000 fee for each issuance, and insures both types of bonds. In fiscal 1997, the latest year for which close-out information is available, MIDFA issued about \$26 million in tax-exempt bonds and insured about \$4 million worth. MIDFA also issued about \$26.6 million in taxable bonds and insured about \$17.1 million worth. The amount of the bonds issued that were used specifically to finance working capital versus the other potential uses is unknown. DBED advises that the ability to finance working capital with the bonds allows Maryland businesses to take advantage of bond financing terms that are competitive with other states.

Local Effect: Local finances related to the issuance of economic development revenue bonds would be maintained since the bill repeals the sunset of the provision that authorizes the issuance of revenue bonds to finance up to 25% of working capital expenditures if the bonds are secured by letters of credit or interests in property.

Information Source(s): Department of Business and Economic Development, Baltimore City, Caroline and Montgomery counties, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 1998

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