

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 464 (Chairman, Economic Matters Committee)
(Departmental - Dept. Business & Economic Dev.)

Economic Matters

Maryland Economic Adjustment Fund

This departmental bill changes the name of the Defense Adjustment Loan Fund to the Maryland Economic Adjustment Fund. The bill authorizes: (1) the fund to be used for a grant to a local or regional Maryland governmental or nonprofit revolving loan fund; and (2) loan proceeds to be used for equipment, furnishings, fixtures, and the construction, rehabilitation, or purchase of real property. Under current law, grants are not allowed and loan proceeds may be used for working capital only.

This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: While there is no immediate effect on State revenues or expenditures, over time, the awarding of grants rather than solely loans would draw down the fund balance. In addition, demand for fund loans may increase based on the expanded authorized use of loan proceeds.

Local Effect: Potential increase in revenues and expenditures to the extent that local jurisdictions are encouraged to create revolving loan funds.

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

Fiscal Analysis

State Effect: The fund is intended to stimulate and support the development of enterprises in Maryland that have the potential to create employment in areas hurt by defense downsizing and to support the diversification of Maryland defense companies. The bill expands the purposes for which existing funds may be used by authorizing: (1) a grant to a local or regional Maryland governmental or nonprofit revolving loan fund; and (2) loan proceeds to be used for equipment, furnishings, fixtures, and the construction, rehabilitation, or purchase of real property, rather than just for working capital. Over time, the awarding of grants rather than solely loans would draw down the fund balance, as grant money would never return to the fund. In addition, demand for fund loans may increase since the bill authorizes the use of proceeds to be used for purposes other than just working capital.

As a point of reference, DBED advises that the fund balance as of December 1997 was \$1.2 million. The Governor's proposed fiscal 1999 budget does not include any funds for the revolving fund.

Changing the name of the fund would not affect DBED's finances.

Local Effect: Revenues would increase in jurisdictions that receive grants from the fund. To the extent that the bill encourages local jurisdictions to establish revolving loan funds, expenditures may increase.

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

Fiscal Note History: First Reader - March 2, 1998
Inc

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