

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 864 (Delegates Krvsiak and Rosenberg)

Economic Matters

Neighborhood Business Development Program - Eligible Business Financing

This bill changes the eligibility requirements for the Neighborhood Business Development Program (NBDP) within the Department of Housing and Community Development (DHCD) by repealing references to “small business” and instead specifying that an “eligible business” is a business that employs or plans to employ no more than 150 people at the site of the project. The bill also specifies that to qualify for NBDP financial assistance, a project must create or retain jobs in the designated neighborhood. The bill requires DHCD to reserve 20% of the annual NBDP appropriation to be used only to make financial assistance available to those applicants that, at the time of the application, employ less than 150 employees nationwide. The bill prohibits DHCD from requiring an applicant to be denied other financial assistance as a condition of approving a new application.

Fiscal Summary

State Effect: None. The bill alters the purposes for which existing funds may be used.

Local Effect: To the extent that the bill’s changes result in businesses in different jurisdictions receiving NBDP financial assistance, certain jurisdictions could be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Background: NBDP 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 were awarded during the first two years of the program. The program received a \$7 million appropriation in fiscal 1996 and in 1997, and a \$6.25 million appropriation in fiscal 1998. The fiscal 1999 allowance for the program is \$7 million and DHCD estimates a zero ending fund balance for fiscal 1998.

Local Effect: To the extent that the bill's changes result in businesses in different jurisdictions receiving NBDP financial assistance, certain jurisdictions could be affected. Revenues could increase in jurisdictions where more businesses receive NBDP assistance as a result of the bill, whereas revenues could decrease in jurisdictions where fewer businesses receive NBDP assistance.

Small Business Effect: Under current law, DHCD's NBDP uses the U.S. Small Business Administration (SBA) standards for the definition of a "small business," which vary according to industry, based either on gross receipts or number of employees. The bill instead defines "eligible business" as a business which employs or plans to employ 150 or fewer employees at the facility. According to DHCD, most of the projects that have been approved under NBDP are service-related industries where the U.S. SBA standard is based on gross receipts, not on the number of employees. The bill would expand the pool of businesses eligible for NBDP funds, which could result in fewer small businesses receiving NBDP assistance.

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

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