

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1184 (Delegate Exum)

Economic Matters

**Economic Development - Maryland Community Development Financial Institutions
Investment Fund**

This bill establishes the Maryland Community Development Financial Investment Fund as a public benefit corporation to operate like a central bank where individual community development financial institutions (CDFI) apply for loans, grants, and other forms of assistance. CDFI is defined as a person that: (1) has the primary mission of promoting community development; (2) is principally a financing entity with its predominant activity of providing loans, investments, or banking services and development services; (3) maintains, through representation on its governing board or otherwise, accountability to residents of the communities it serves; and (4) is not an agency or instrumentality of the U.S. or of any state or political subdivision of a state.

Fiscal Summary

State Effect: Indeterminate but potentially significant effect on State expenditures. The Governor's proposed FY 1999 budget does not include monies for the fund. To the extent that the bill spurs employment and economic development, tax revenues could increase and expenditures on certain assistance programs could decrease.

Local Effect: To the extent that the bill spurs employment and economic development in certain jurisdictions, tax revenues could increase in affected jurisdictions.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Bill Summary: The bill establishes a 15-member governing board to be appointed by the Governor. The board must be reimbursed for reasonable expenses. The Commissioner of Financial Regulation and Secretary of the Department of Business and Economic Development serve as ex officio members of the board without voting powers. The bill specifies that the board determines overall investment policies and priorities of the fund and selects the five-member investment committee. The investment committee approves applications and selections for assistance. A fund administrator elected from the board organizes and coordinates the activities of the fund.

The bill authorizes the fund to provide financial assistance, technical assistance and training, and capitalization assistance to enhance liquidity if matching requirements are met. The fund has the authority to borrow money and issue bonds. The fund's liability is limited to the amount of assistance. The bill authorizes a training program for CDFIs and other members of the financial services industry. The bill establishes required reports for CDFIs, including audits, statements of financial condition, and annual reports. The bill requires the fund to make an annual evaluation based on established criteria and report to the Governor. The bill also requires the fund to develop and implement a program to store and analyze investment activity.

Background: The U.S. Treasury Department's Community Development Financial Institution Program provides direct assistance to CDFIs that serve their target markets through loans, investments, and other activities. Fiscal 1998 funding for the program is \$80 million.

State Effect: The Governor's proposed fiscal 1999 budget does not include monies for the fund. Any effect on State expenditures depends on the amount of any appropriation to the fund. While the bill does not specify a level of funding, Legislative Services assumes that a viable fund would require an initial appropriation of at least \$1 million. It is not known at this time whether the fund could receive assistance through the federal program discussed above.

To the extent that the bill spurs employment and economic development, tax revenues could increase and expenditures on certain assistance programs could decrease.

Local Effect: To the extent that the bill spurs employment and economic development in certain jurisdictions, tax revenues could increase in affected jurisdictions.

Small Business Effect: To the extent that the bill spurs employment and economic

development, small businesses in affected jurisdictions could benefit.

Information Source(s): Department of Businesses and Economic Development; Department of Labor, Licensing, and Regulation; Department of Housing and Community Development; U.S. Treasury Department; Department of Legislative Services

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Analysis by: Sarah Dickerson

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710