# Department of Legislative Services

Maryland General Assembly

## FISCAL NOTE
## Revised

Senate Bill 446 (Senator Ruben)
Budget and Taxation

### Economic Development - Assistance to Local Governments

This bill authorizes the Secretary of the Department of Business and Economic Development (DBED) to provide grants from the Maryland Industrial Land Act (MILA) to fund local economic development funds. The bill specifies criteria the Secretary must consider when awarding grants. To qualify for a grant, a local government must provide at least an equal and matching grant of funds to the local economic development fund. The department may not grant more than $2 million in a fiscal year, and a county may not receive more than $250,000. A county may not, however, receive more than a total of $500,000. A local government must use a grant to provide loans for financing economic development projects. The department must report to the Governor and General Assembly before January 1 of each year on the number, amount, use, and economic benefits of grants awarded.

This bill sunsets on June 30, 2003.

## Fiscal Summary

**State Effect:** The bill alters the purposes for which up to $2 million annually in MILA funds may be used, but does not increase the amount of such funds. To the extent that the local matching requirement results in projects that spur employment and economic development beyond that which would occur absent this bill, State tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Effect:** Increase in revenues and potential increase expenditures in counties or municipalities that receive a transfer of funds from DBED. Indeterminate effect on other jurisdictions. To the extent that the bill results in projects that spur employment and economic development beyond that which would occur absent this bill, local tax revenues could increase.

**Small Business Effect:** Potential meaningful.

## Fiscal Analysis

**Background:** MILA provides low interest loans to political subdivisions and private entities for land acquisition, development of industrial parks, acquisition or construction of buildings, and development of infrastructure. The local government must guarantee 40%-100% of the loan amount. Activity is low in this program and has been for some time. MILA is most useful as an economic development tool when the economy is sluggish and local governments have a greater need to build speculative building or industrial park infrastructure.

Although MILA has received general funds in the past, the fiscal 1999 allowance appropriates only special funds from the fund's balance. The Governor's proposed fiscal 1999 budget allowance includes $4 million in special funds for MILA. The five-year capital improvement plan shows that general funds may again be needed beginning in fiscal 2000 to sustain the program's activity level at $7.5 million annually.

**State Effect:** The bill alters the purposes for which MILA funds may be used by authorizing the Secretary to transfer funds to a local economic development fund on a 50-50 matching basis. Since the bill is enabling only, any effect would depend on the extent to which the Secretary utilizes this authority. It is noted that a transfer of funds to a local economic development fund would result in a decrease in funds available from MILA, by up to $2 million annually.

To the extent that the local matching requirement for transfers results in projects that spur employment and economic development beyond that which would occur absent this bill, State tax revenues could increase and expenditures on certain assistance programs could decrease.

**Local Effect:** Local economic development fund revenues would increase for those counties and municipalities that receive a transfer of funds from DBED under this bill. Local expenditures would increase to the extent that the required matching funds would not have otherwise been spent on economic development.

Again, it is noted that funds available from MILA would be reduced by the amount of any such transfers. Thus, there could be an indirect effect on other jurisdictions depending on how this authority would be utilized by the Secretary.
To the extent that the bill results in projects that spur employment and economic development beyond that which would occur absent this bill, local tax revenues could increase.

**Small Business Effect:** To the extent that the local matching requirement results in additional funding for economic development projects, small businesses in affected localities could benefit from any additional incentives available. In addition, to the extent that the bill results in projects that spur employment and economic development beyond that which would occur absent this bill, other small businesses in those areas could benefit. On the other hand, to the extent that any transfer of funds to specific localities results in a decrease in MILA funds, small businesses in localities that would otherwise benefit from MILA could be negatively affected.

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**Information Source(s):** Department of Business and Economic Development; Baltimore, Montgomery, and Somerset counties; Department of Legislative Services

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| **Fiscal Note History:** | First Reader - February 16, 1998 |
| tlw | Revised - Senate Third Reader - March 27, 1998 |

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