

HOUSE BILL 188

Unofficial Copy
C8

1999 Regular Session
(9lr0207)

ENROLLED BILL
-- Economic Matters/Budget and Taxation --

Introduced by **The Speaker (Administration)**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Maryland Economic Development Assistance Authority and Fund**

3 FOR the purpose of creating the Maryland Economic Development Assistance Fund
4 as a nonlapsing fund in the Department of Business and Economic
5 Development; providing for the management of the Fund; specifying what
6 moneys may constitute the Fund; authorizing moneys from the Fund to be used
7 for certain purposes, including making loans to eligible applicants subject to
8 certain requirements and restrictions; creating the Maryland Economic
9 Development Assistance Authority in the Department; providing for the
10 membership of the Authority; specifying the powers and duties of the Authority;
11 requiring the establishment of an annual list of eligible industry sectors;
12 specifying the terms of the initial members of the Authority; requiring the
13 Department to convene a certain study panel; requiring the Department to make
14 certain reports; providing that the Fund is a growth-related project for purposes
15 of determining the priority of State funding of capital projects; defining certain
16 terms; providing for the termination of this Act; and generally relating to the
17 Maryland Economic Development Assistance Authority and Fund.

1 BY adding to
 2 Article 83A - Department of Business and Economic Development
 3 Section 5-1301 through 5-1306, inclusive, to be under the new subtitle "Subtitle
 4 13. Maryland Economic Development Assistance Authority and Fund"
 5 Annotated Code of Maryland
 6 (1998 Replacement Volume)

7 BY repealing and reenacting, with amendments,
 8 Article - State Finance and Procurement
 9 Section 5-7B-01(d)(1)(iii)
 10 Annotated Code of Maryland
 11 (1995 Replacement Volume and 1998 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article 83A - Department of Business and Economic Development**

15 SUBTITLE 13. MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY AND
 16 FUND.

17 5-1301.

18 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
 19 INDICATED.

20 (B) "AUTHORITY" MEANS THE MARYLAND ECONOMIC DEVELOPMENT
 21 ASSISTANCE AUTHORITY.

22 (C) "FUND" MEANS THE MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE
 23 FUND.

24 ~~(D) "PRIORITY FUNDING AREA" HAS THE MEANING STATED IN § 5-7B-02 OF~~
 25 ~~THE STATE FINANCE AND PROCUREMENT ARTICLE.~~

26 ~~(E)~~ (D) ~~(+)~~ "WORKING CAPITAL" MEANS FUNDS TO BE USED FOR CURRENT
 27 OPERATIONS OF A BUSINESS.

28 ~~(2) "WORKING CAPITAL" INCLUDES FUNDS FOR SUPPLIES, MATERIALS,~~
 29 ~~LABOR, RENT, SOFTWARE, MARKETING, INSURANCE, AND FEES FOR PROFESSIONAL~~
 30 ~~SERVICES.~~

31 5-1302.

32 THE PURPOSE OF THE MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE
 33 FUND IS TO EXPAND EMPLOYMENT OPPORTUNITIES IN THE STATE BY PROVIDING
 34 ~~BELOW MARKET LONG-TERM FIXED-RATE LOANS~~ WITH FAVORABLE TERMS TO

1 BUSINESSES THAT ARE ENGAGED IN ELIGIBLE INDUSTRY SECTORS ~~AND WISH TO~~
2 ~~LOCATE OR EXPAND IN A PRIORITY FUNDING AREA.~~

3 5-1303.

4 (A) THERE IS A MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE
5 AUTHORITY IN THE DEPARTMENT.

6 (B) THE AUTHORITY SHALL:

7 (1) EVALUATE REQUESTS FOR LOANS THAT HAVE BEEN FIRST
8 EVALUATED BY STAFF OF THE DEPARTMENT;

9 (2) DETERMINE WHETHER TO APPROVE LOAN REQUESTS; AND

10 (3) SET THE TERMS AND CONDITIONS FOR LOANS.

11 (C) THE AUTHORITY CONSISTS OF THE FOLLOWING NINE MEMBERS:

12 (1) SEVEN MEMBERS APPOINTED BY THE GOVERNOR WITH THE ADVICE
13 ~~OF THE SECRETARY~~ AND CONSENT OF THE SENATE; AND

14 (2) AS EX OFFICIO MEMBERS:

15 (I) THE SECRETARY OR THE SECRETARY'S DESIGNEE; AND

16 (II) THE SECRETARY OF THE DEPARTMENT OF TRANSPORTATION
17 OR THE SECRETARY'S DESIGNEE.

18 (D) THE MEMBERS OF THE AUTHORITY APPOINTED BY THE GOVERNOR SHALL
19 BE INDIVIDUALS WITH SUBSTANTIAL EXPERIENCE IN BUSINESS OR ECONOMIC
20 DEVELOPMENT AND SHALL REFLECT THE GEOGRAPHIC, RACIAL, ETHNIC, AND
21 GENDER MAKEUP OF THE STATE.

22 (E) (1) THE TERM OF AN APPOINTED MEMBER IS 3 YEARS.

23 (2) THE TERMS OF APPOINTED MEMBERS SHALL BE STAGGERED AS
24 REQUIRED BY THE TERMS PROVIDED FOR MEMBERS OF THE AUTHORITY ON JULY 1,
25 1999.

26 (3) AT THE END OF A TERM, AN APPOINTED MEMBER CONTINUES TO
27 SERVE UNTIL A SUCCESSOR IS APPOINTED AND QUALIFIES.

28 (4) A MEMBER WHO IS APPOINTED AFTER A TERM HAS BEGUN SERVES
29 ONLY FOR THE REST OF THE TERM AND UNTIL A SUCCESSOR IS APPOINTED AND
30 QUALIFIES.

31 (5) AN APPOINTED MEMBER SERVES AT THE PLEASURE OF THE
32 GOVERNOR.

1 (6) THE GOVERNOR SHALL DESIGNATE A CHAIRMAN FROM AMONG THE
2 MEMBERS.

3 (7) ATTENDANCE BY A MAJORITY OF THE VOTING MEMBERS SHALL
4 CONSTITUTE A QUORUM.

5 (F) (1) THE AUTHORITY SHALL MEET AS OFTEN AS ITS DUTIES REQUIRE,
6 BUT NO LESS THAN QUARTERLY.

7 (2) THE MEMBERS OF THE AUTHORITY ARE SUBJECT TO THE
8 PROVISIONS OF THE MARYLAND PUBLIC ETHICS LAW.

9 (3) ~~MEMBERS~~ EACH MEMBER OF THE AUTHORITY APPOINTED BY THE
10 ~~SECRETARY ARE NOT ENTITLED TO ANY COMPENSATION OR OTHER EMOLUMENT,~~
11 ~~EXCEPT REASONABLE EXPENSES INCURRED IN CONNECTION WITH ATTENDANCE AT~~
12 ~~HEARINGS, MEETINGS, AND WORKING SESSIONS, FOR ANY SERVICES RENDERED AS~~
13 ~~A MEMBER OF THE AUTHORITY~~ GOVERNOR MAY NOT RECEIVE COMPENSATION AS A
14 MEMBER OF THE AUTHORITY BUT IS ENTITLED TO REIMBURSEMENT FOR EXPENSES
15 UNDER THE STANDARD STATE TRAVEL REGULATIONS, AS PROVIDED IN THE STATE
16 BUDGET.

17 (G) THE DEPARTMENT SHALL PROVIDE STAFF SUPPORT TO THE AUTHORITY.

18 5-1304.

19 (A) THERE IS A MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND IN
20 THE DEPARTMENT MANAGED AND SUPERVISED BY THE SECRETARY.

21 (B) (1) THE FUND IS A CONTINUING, NONLAPSING FUND WHICH IS NOT
22 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

23 (2) THE TREASURER SHALL SEPARATELY HOLD AND THE COMPTROLLER
24 SHALL ACCOUNT FOR THE FUND.

25 (3) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE PAID INTO
26 THE FUND.

27 (C) THE FUND MAY CONSIST OF ANY OF THE FOLLOWING:

28 (1) MONEYS APPROPRIATED BY THE STATE TO THE FUND;

29 (2) MONEYS MADE AVAILABLE TO THE FUND THROUGH FEDERAL
30 PROGRAMS OR PRIVATE CONTRIBUTIONS;

31 (3) INCOME FROM INVESTMENTS THAT THE STATE TREASURER MAKES
32 FROM MONEYS IN THE FUND;

33 (4) REPAYMENTS OF PRINCIPAL AND INTEREST FROM LOANS MADE
34 FROM THE FUND;

1 (5) PROCEEDS FROM THE SALE, DISPOSITION, LEASE, OR RENTAL OF
 2 COLLATERAL RELATED TO ANY LOAN PROVIDED BY THE DEPARTMENT UNDER THIS
 3 SUBTITLE;

4 (6) APPLICATION OR OTHER FEES PAID TO THE PROGRAM IN
 5 CONNECTION WITH THE PROCESSING OF REQUESTS FOR LOANS; AND

6 (7) ANY OTHER MONEYS MADE AVAILABLE TO THE FUND.

7 5-1305.

8 (A) THE DEPARTMENT MAY USE MONEYS IN THE FUND TO:

9 (1) PROVIDE LOANS TO ELIGIBLE APPLICANTS; AND

10 (2) PAY EXPENSES FOR ADMINISTRATIVE, ACTUARIAL, LEGAL, AND
 11 TECHNICAL SERVICES FOR THE PROGRAM.

12 (B) LOANS FROM THE FUND MAY BE USED ONLY TO FINANCE COSTS
 13 INCURRED FOR:

14 (1) ACQUISITION OR CONSTRUCTION OF A BUILDING OR REAL ESTATE;

15 (2) ACQUISITION, CONSTRUCTION, OR INSTALLATION OF MACHINERY,
 16 EQUIPMENT, FURNISHINGS, FIXTURES, LEASEHOLD IMPROVEMENTS, OR SITE
 17 IMPROVEMENTS; OR

18 (3) WORKING CAPITAL.

19 (C) (1) LOANS FROM THE FUND:

20 (I) MAY NOT BE FOR AN AMOUNT LESS THAN:

21 1. ~~\$500,000~~ \$250,000, IF THE FUND BALANCE IS LESS THAN
 22 \$10,000,000; ~~AND~~

23 2. ~~\$1,000,000, IF THE FUND BALANCE IS \$10,000,000 OR~~
 24 ~~GREATER;~~

25 (II) MAY NOT EXCEED THE ~~GREATER~~ LESSER OF \$10,000,000 OR 20%
 26 OF THE FUND BALANCE;

27 (III) EXCEPT AS PROVIDED IN ITEM (IV) OF THIS PARAGRAPH, MAY
 28 NOT EXCEED 70% OF THE TOTAL COSTS OF THE PROJECT BEING FINANCED;

29 (IV) MAY CONSTITUTE 100% OF THE TOTAL COSTS OF THE PROJECT
 30 BEING FINANCED IF THE BORROWER IS THE MARYLAND ECONOMIC DEVELOPMENT
 31 CORPORATION;

32 (V) SHALL CARRY AN INTEREST RATE BELOW THE MARKET RATE
 33 OF INTEREST, AS DETERMINED BY THE DEPARTMENT; AND

1 (VI) MAY NOT BE USED TO REFINANCE EXISTING DEBT.

2 (2) LOANS FROM THE FUND MAY NOT BE FOR A TERM EXCEEDING:

3 (I) FOR WORKING CAPITAL - 3 YEARS;

4 (II) FOR FINANCING MACHINERY, EQUIPMENT, FURNISHINGS, OR
5 FIXTURES - 10 YEARS; AND

6 (III) FOR FINANCING THE CONSTRUCTION OR ACQUISITION OF
7 BUILDINGS AND REAL ESTATE - 25 YEARS.

8 (D) TO BE ELIGIBLE FOR A LOAN FROM THE FUND, AN APPLICANT MUST BE:

9 (1) AN INDIVIDUAL OR A PRIVATE BUSINESS ENTITY WHO:

10 (I) IS PRIMARILY ENGAGED IN A BUSINESS IN AN ELIGIBLE
11 INDUSTRY SECTOR ~~LOCATED IN A PRIORITY FUNDING AREA;~~

12 ~~(II) IS NOT PRIMARILY ENGAGED IN RETAIL OR ENTERTAINMENT~~
13 ~~ACTIVITIES;~~

14 ~~(III)~~ (II) INTENDS TO USE THE REQUESTED LOAN FOR A PROJECT
15 THAT HAS A STRONG POTENTIAL FOR EXPANDING OR RETAINING EMPLOYMENT
16 OPPORTUNITIES IN THE STATE; AND

17 ~~(IV)~~ (III) SUBMITS TO THE DEPARTMENT AN APPLICATION
18 CONTAINING ANY INFORMATION THE DEPARTMENT OR THE AUTHORITY DEEMS
19 NECESSARY IN EVALUATING THE LOAN REQUEST; OR

20 (2) THE MARYLAND ECONOMIC DEVELOPMENT CORPORATION,
21 PROVIDED THAT THE REQUIREMENTS SPECIFIED IN ITEM (1) OF THIS SUBSECTION
22 ARE MET.

23 (E) SUBJECT TO THE RESTRICTIONS OF THIS SUBTITLE, THE DEPARTMENT
24 AND THE AUTHORITY SHALL IMPOSE SUCH TERMS AND CONDITIONS ON THE LOANS
25 PROVIDED FROM THE FUND AS THEY DEEM APPROPRIATE.

26 (F) THE DEPARTMENT SHALL REPORT TO THE GOVERNOR AND, SUBJECT TO §
27 2-1246 OF THE STATE GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY BEFORE
28 JANUARY 1 OF EACH YEAR ON THE NUMBER, AMOUNT, USE, AND ECONOMIC
29 BENEFITS OF LOANS AWARDED UNDER THIS SUBTITLE.

30 5-1306.

31 (A) ANNUALLY, AFTER CONSIDERING THE RECOMMENDATION OF THE
32 MARYLAND ECONOMIC DEVELOPMENT COMMISSION, THE AUTHORITY SHALL
33 ESTABLISH A LIST OF INDUSTRY SECTORS THAT WILL BE ELIGIBLE FOR LOANS FROM
34 THE FUND.

1 (B) BEFORE MAKING ITS RECOMMENDATION TO THE AUTHORITY, THE
2 MARYLAND ECONOMIC DEVELOPMENT COMMISSION SHALL:

3 (1) CONSULT WITH THE DEPARTMENT AND THE DEPARTMENT OF
4 LABOR, LICENSING, AND REGULATION; AND

5 (2) EVALUATE THE POTENTIAL EMPLOYMENT AND ECONOMIC GROWTH
6 OF MARYLAND'S INDUSTRY SECTORS.

7 (C) IN DETERMINING WHETHER AN APPLICANT IS ENGAGED IN AN ELIGIBLE
8 INDUSTRY SECTOR, THE DEPARTMENT SHALL CONSIDER THE DEFINITIONS SET
9 FORTH IN THE STANDARD INDUSTRIAL CLASSIFICATION MANUAL.

10 **Article - State Finance and Procurement**

11 5-7B-01.

12 (d) (1) "Growth-related project" means only the items set forth below:

13 (iii) funding by the Department of Business and Economic
14 Development under any of the following:

15 1. the Maryland Industrial Land Act, authorized under
16 Article 83A, Title 5, Subtitle 7 of the Code;

17 2. the Maryland Industrial and Commercial Redevelopment
18 Fund, authorized under Article 83A, Title 5, Subtitle 8 of the Code;

19 3. the Maryland Industrial Development Financing
20 Authority, authorized under Article 83A, Title 5, Subtitle 9 of the Code;

21 4. the Maryland Small Business Development Financing
22 Authority, authorized under Article 83A, Title 5, Subtitle 10 of the Code;

23 5. the Maryland Energy Financing Act, authorized under
24 Article 83A, Title 6, Subtitle 4 of the Code; [and]

25 6. the Economic Development Opportunities Program Fund,
26 authorized under § 7-314 of this article; AND

27 7. THE MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE
28 AUTHORITY AND FUND, AUTHORIZED UNDER ARTICLE 83A, TITLE 5, SUBTITLE 13 OF
29 THE CODE;

30 SECTION 2. AND BE IT FURTHER ENACTED, That terms of the initial
31 members of the Maryland Economic Development Assistance Authority shall expire
32 as follows:

33 (1) three members in 2002;

34 (2) two members in 2001; and

1 (3) two members in 2000.

2 SECTION 3. AND BE IT FURTHER ENACTED, That the Department of
3 Business and Economic Development shall convene a study panel during the 1999
4 Interim, to be staffed by the Department, which includes members of the Senate of
5 Maryland, appointed by the President of the Senate, members of the House of
6 Delegates, appointed by the Speaker of the House, representatives of the Maryland
7 Economic Development Commission, and representatives of the business community.
8 The study panel shall review the consolidation of the Department's current financing
9 funds and financing funding models. The Department shall report to the Senate
10 Budget and Taxation Committee and the House Economic Matters Committee on the
11 study panel's recommendations and shall provide draft legislation, as necessary, by
12 December 1, 1999, to allow for consideration during the 2000 legislative session of the
13 General Assembly.

14 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take
15 effect July 1, 1999. It shall remain effective for a period of 2 years and, at the end of
16 June 30, 2001, with no further action required by the General Assembly, this Act shall
17 be abrogated and of no further force and effect.