

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 1152 (Cecil County Delegation)

Economic Matters

Bainbridge Development Corporation

This bill establishes the Bainbridge Development Corporation to develop the Bainbridge Naval Training Center and accelerate the transfer of the center's facilities and sites to the private sector. The corporation is constituted as a public instrumentality of the State and will be managed by a 15-member board of directors and an executive director. In order to finance or refinance projects, the corporation may borrow money or accept grants from federal, State, or local governments or from private sources. The corporation may set rates or charges for the use of services, and may not be required to pay any taxes or assessments on its properties or activities. The Maryland Economic Development Corporation (MEDCO) may issue bonds on behalf of the Bainbridge Development Corporation. Any obligation of the corporation does not constitute a debt, liability, or pledge of full faith and credit of the State.

This bill is effective June 1, 1999.

Fiscal Summary

State Effect: Indeterminate effect on State expenditures. 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: Potential indeterminate increase in expenditures for Cecil County. To the extent that the bill spurs employment and economic development in Cecil County, county tax revenues could increase.

Small Business Effect: Potentially meaningful.

Fiscal Analysis

Background: This bill is modeled after the PenMar Development Corporation, an entity

designed to redevelop the former Fort Ritchie in Washington County. PenMar received a grant of \$25,000 in fiscal 1998 from the Department of Business and Economic Development (DBED) for start-up costs of the corporation. Also in fiscal 1998, the corporation qualified for a Sunny Day loan of \$1.5 million for a specific project located on the site of the fort. Operating costs of the corporation are estimated at \$400,000 per year. PenMar qualifies for federal funding dedicated to base closure activities and consequently, approximately 75% of its costs are funded through federal grants.

State Effect: The proposed fiscal 2000 budget does not include any funds for the Bainbridge Development Corporation. Any effect on State expenditures depends on the amount of any appropriation to the corporation. DBED could grant funds for start-up costs as it did for the similarly constructed PenMar Development Corporation. Any such grant is assumed to be minimal. Additionally, the corporation and the potential developments within the boundaries of the corporation would be eligible for grants and loans from DBED's various financing programs. Any bonds issued through MEDCO would presumably be used to fund improvements to the site and other necessary activities to attract private sector entities to locate on the site. It is assumed that the assets used to cover such bonds would be the Bainbridge property once it is transferred to the corporation from the federal government.

It is not known at this time if the development of the Bainbridge Naval Training Center would qualify for federal funding. Depending on the level of federal commitment, the State and local share of funding could be higher than under the PenMar Development Corporation.

To the extent that this legislation spurs employment and economic development on the site of the Bainbridge Naval Training Center, tax revenues could increase and expenditures on certain assistance programs could decrease.

Local Effect: According to the PenMar Development Corporation, Washington County contributes funds to mitigate about 25% of the corporation's costs. It is assumed that a similar level of local participation would be required from Cecil County in order to facilitate the conversion of the Bainbridge site to private uses. However, as stated above, the role of the federal government in the Bainbridge site is not clear. The county may be required to take a proportionately larger role.

To the extent that the bill spurs employment and economic development in Cecil County, county tax revenues could increase.

Small Business Effect: Small businesses that choose to locate on the Bainbridge property could benefit from the activities of the Bainbridge Development Corporation. Any capital improvements made or incentives offered could directly benefit these businesses. However, it cannot be determined at this time how many small businesses could be impacted. In addition, any small businesses that act as suppliers to businesses locating on the Bainbridge property could also benefit. However, depending upon the level of assistance given, small businesses in the area who do not locate on this property could be put at a competitive disadvantage.

Information Source(s): Department of Business and Economic Development, PenMar Development Corporation, Cecil County, Department of Legislative Services

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Analysis by: Jody J. Minnich

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510