

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 253 (Senator Baker)

Budget and Taxation

Economic Development Opportunities (“Sunny Day”) Program Fund - Default

This bill provides that in the event of a default of a Sunny Day Fund loan, the payment of interest must be at a rate of at least equal to the prime rate in effect at the time of the default plus 1% on the loan balance outstanding at the time of default.

Fiscal Summary

State Effect: Potential minimal increase in special fund revenue.

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Effect: To date, 85 Sunny Day projects have been approved. The Department of Business and Economic Development (DBED) reports that 3 of these fund recipients did not meet performance requirements, and thereby were in default. Various remedies were employed by the department to reclaim loaned funds including increasing the interest rate, accelerating loan repayment, and demanding total repayment.

Generally, in those cases where DBED opts to impose an increased interest rate as a remedy for defaulted agreements, it imposes a rate between 5% and 7%. The bill requires DBED to raise the interest rate of defaulted agreements to at least the prime rate plus 1% on the loan balance outstanding at the time of default. The current prime rate of interest is 7.75%. To the extent that the rate imposed by the bill is higher than that which DBED would otherwise require a recipient of a Sunny Day loan to pay in the event of a default, interest income to the fund could increase.

Information Source(s): Department of Business and Economic Development,
Department of Legislative Services

Fiscal Note History: First Reader - February 15, 1999

ncs/jr

Analysis by: Jody J. Minnich

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