

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 790 (Delegate Taylor)

Economic Matters

Budget and Taxation

Maryland Economic Development Corporation

This emergency bill expands the corporate powers and legislative intent of the Maryland Economic Development Corporation (MEDCO) to allow MEDCO to develop property and promote economic development in all areas of the State.

Fiscal Summary

State Effect: None. The bill generally clarifies current practice.

Local Effect: None.

Small Business Effect: Potential minimal. Small businesses would benefit to the extent that MEDCO participates in projects (*e.g.*, industrial parks) that provide opportunities for them. They may also be adversely affected if MEDCO finances projects that compete directly with small businesses.

Analysis

Bill Summary: The bill expands the purposes of MEDCO to include:

- relieving conditions of unemployment in the State;
- encouraging the increase of business activity and commerce;
- assisting with retention of existing business and attraction of new business activity; and
- promoting economic development and generally promoting the health, happiness, right to gainful employment, and general welfare of the residents of each county and municipality.

The bill also permits MEDCO to develop property throughout the State, beyond areas that are experiencing significant economic distress.

It directs MEDCO to accomplish at least one of these purposes and complement existing State marketing and financial assistance by owning projects, owning and leasing projects to one or more persons, or lending bond proceeds to finance or refinance the costs of acquiring, constructing, improving, or remodeling projects. The bill directs MEDCO to refrain from owning and operating a project unless: (1) the board of directors finds by resolution that the private sector has not demonstrated serious and significant interest and development capacity to own and operate the project; or (2) a representative, designated agency, or instrumentality of a political subdivision has requested in writing that MEDCO own and operate the project.

The definition of persons with whom MEDCO can conduct business is expanded to include a company, limited liability company, or other nonprofit or for-profit entity. The bill also alters the definition of a project to include acquisition, construction, expansion, rehabilitation, or remodeling of any property that the MEDCO board of directors determines, at its sole discretion, will accomplish one of the legislative purposes listed above. Projects covered by this bill do not include property for which the issued bonds are payable or guaranteed by a hospital, higher education institution, or noncollegiate educational institution.

The legislation permits MEDCO to make loans to a person or persons to:

- (1) finance or refinance project costs;
- (2) refund outstanding bonds, mortgages, advances, loans or other obligations associated with such a project; and
- (3) create, own, control or be a member of a corporation, LLC, partnership, or other person (profit or nonprofit).

Bond proceeds may be placed in escrow pending their application and may be invested and reinvested in investments and other obligations. Investment of the proceeds will be determined by MEDCO or by the person who is borrowing the proceeds. The bill also repeals the requirement that funds be deposited in a bank or savings and loan association located in the State.

Findings by the MEDCO board of directors concerning the public purpose or legislative intent of an agreement, bond issuance, or bond security will be considered conclusive for purposes of a lawsuit, action, or proceeding.

Current Law: The legislative purpose of MEDCO is now restricted to operating in areas of the State experiencing significant economic dislocation or distress and to develop vacant or underused industrial sites and other economic resources in which the private sector has not demonstrated serious and significant interest or development capability. MEDCO is permitted to use its corporate powers to assist State and local economic development agencies to expand and attract businesses but is not specifically directed to own or lease projects or lend bond proceeds. MEDCO can only invest bond proceeds in federally guaranteed obligations or certificates of deposit and proceeds and is not authorized to lend such proceeds. MEDCO funds must be deposited in a federally or State-insured bank or savings and loan located in the State.

Background: MEDCO was created by the General Assembly in 1984 (Chapter 498) to develop vacant or unused industrial sites and facilities and other economic resources. MEDCO operates in economically distressed areas of the State and helps State and local economic development agencies to expand, modernize, and retain businesses, and attract new ones. Examples of MEDCO projects include construction of manufacturing plants for Human Genome Sciences, Inc. in Rockville and General Motors in Baltimore County, Roland Park Country School in Baltimore City, and the Rocky Gap golf course in Allegany County. MEDCO advises that the bill clarifies current practice and gives it protection from the threat of potential lawsuits.

Additional Information

Prior Introductions: None.

Cross File: SB 486 (Senator Jimeno, *et al.*) – Budget and Taxation.

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

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Analysis by: Ann Marie Maloney

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