

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 386 (Delegate Barve)
Economic Matters

Maryland Nonprofit Sector Development Center Program

This bill creates the Maryland Nonprofit Sector Development Center Program designed to provide training and technical assistance to nonprofit organizations throughout the State. It also establishes an advisory board that will provide guidance and review the effectiveness of the program.

Fiscal Summary

State Effect: General fund expenditures could increase by \$740,200 in FY 2002 for grants and personnel costs. Out-years reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	740,200	988,900	1,000,000	1,000,000	1,000,000
Net Effect	(\$740,200)	(\$988,900)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful for small nonprofit organizations.

Analysis

Bill Summary: The bill establishes a Nonprofit Sector Development Center Program in the Department of Business and Economic Development (DBED). DBED is charged with assisting the development of nonprofits in all aspects of nonprofit management. The

specific types of assistance include individual consultation and technical assistance to any nonprofit entity that requests the service, training, and the operation of a technical information and data exchange.

The bill requires DBED to grant funds as appropriated to public agencies, institutions of higher learning, or nonprofits to provide training and technical assistance services. In selecting grantees, DBED must consider the ability of a grant applicant to provide cash and in-kind matching resources. If multiple grants are awarded, DBED must coordinate the work of the multiple grantees. Grantees, in turn, are required to use the expertise of successful nonprofit leaders, educational institutions, public officials, and other private or public resources to provide technical and training assistance services.

The bill also establishes a Nonprofit Sector Development Center Program Advisory Board. The bill provides for membership of the board, requires members to be drawn from across the State, and identifies the board's responsibilities. The board is charged with identifying issues and concerns of nonprofits, advising DBED on problems affecting nonprofits, serving as a general advocate for the nonprofit sector, and making recommendations on the criteria for the selection of grantees. The board must also review the progress and effectiveness of the program.

Finally, it requires DBED to coordinate its efforts with public and private organizations to avoid duplications of services and to solicit cooperation or funds from such organizations to aid the development of nonprofits. Where possible, DBED must use the services of existing organizations and their personnel on a voluntary basis. DBED is further required to make recommendations to the Governor and the General Assembly on the operation of the program, including any suggested legislation.

Current Law: None applicable.

Background: Approximately 5,000 tax-exempt organizations operate in the State, according to 1998 Internal Revenue Service data collected by the Urban Institute. These organizations or charities vary widely by function and include groups that promote the arts, public safety, health, and the environment and provide public services for local governments and the State. Their size, funding sources, and operational needs can vary significantly.

According to the Independent Sector, a national, nonpartisan organization that serves as a clearinghouse for nonprofits, several national organizations such as the Council on Foundations provide technical and management assistance to member nonprofits. The Maryland Association of Nonprofits also provides these services to its 950 members.

There is no statewide program that provides technical assistance for nonprofit organizations, though similar services are provided to small business.

State Expenditures: General fund expenditures could increase by \$740,243 in fiscal 2002. This estimate reflects the cost of grants and hiring an industrial development representative and an office secretary for DBED to administer the program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- grants for five regional centers that provide funds for two professionals and one administrative aide; and
- contractual services for grant auditing (\$5,000).

Salaries and Fringe Benefits	\$70,848
Grants	656,250
Operating Expenses	<u>13,145</u>
Total FY 2002 State Expenditures	\$740,243

The estimate is modeled on the Small Business Development network currently in place, which provides regional centers that administer technical assistance.

The Department of Legislative Services (DLS) cautions that several of the services required to be provided under this bill may be available to nonprofits from other sources and that duplication of services could occur. DLS further advises that expenditures could increase or decrease significantly to the extent that nonprofit organizations participate in the program and that economies of scale could be realized if the program could utilize any existing small business services.

The members of the advisory board created under this bill would be entitled to receive expense reimbursements under standard State travel regulations; however, these costs could be absorbed within existing resources.

Small Business Effect: To the extent that training and technical assistance is available under this program that is not otherwise available or affordable, the bill would have a potentially meaningful impact on small nonprofit organizations. The level of assistance cannot be reliably estimated at this time.

Additional Information

Prior Introductions: A substantially similar bill was introduced as HB 258 in the 1995 session and was heard by the House Economic Matters Committee. It was later withdrawn.

Cross File: SB 333 (Senator Kelley, *et al.*) – Finance.

Information Source(s): Department of Business and Economic Development, Independent Sector, Urban Institute, Department of Legislative Services

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