

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 208 (Chairman, Economic Matters Committee)
(Departmental – Business and Economic Development)

Economic Matters

Finance

Grants to Local Economic Development Funds - Matching Funds Requirement

This departmental bill allows a local government that is, or is located in, a distressed county to be eligible for a local economic development fund (also known as a regional or local revolving loan fund) grant from the Maryland Economic Development Assistance and Authority Fund (MEDAAF) by providing half of the required matching funds. The bill is effective July 1, 2001.

Fiscal Summary

State Effect: The bill primarily alters the purposes for which existing funds may be used. To the extent it requires administrative changes, the department could handle them with existing resources.

Local Effect: Decrease in expenditures for qualified distressed counties that would no longer be required to provide full matching funds.

Small Business Effect: The Department of Business and Economic Development (DBED) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Local governments are required to provide funds equal to the amount of the MEDAAF grant in order to receive the grant. No distinction is made between

jurisdictions that are distressed and those that are not, though DBED must consider the jurisdiction's average unemployment rate in the grant approval process.

A distressed county (including Baltimore City) is defined as a county where the average unemployment rate for the most recent 18-month period exceeds the State average for the same period by 150% or where the average per capita personal income for the most recent year is equal to or less than 67% of the State average for the same year. Local jurisdictions that currently qualify as distressed include: Allegany, Caroline, Dorchester, Garrett, Somerset, and Worcester counties and Baltimore City.

Background: The MEDAAF provides funding for several purposes, including local economic development opportunities, direct assistance to local jurisdictions, and local revolving loan funds. The State can give a grant up to \$250,000 annually to a local government, with a \$500,000 cap for any one jurisdiction through June 30, 2003. No more than \$2 million annually may be granted by DBED to a local economic development fund. The local government then provides loans or loan guarantees or subsidized interest loans to finance economic development projects or provide loans to small businesses.

State Fiscal Effect: DBED could implement the provisions of the bill with existing resources. It advises that lowering the match requirement will increase the amount of MEDAAF grants provided and may reduce the amount of available MEDAAF grant funding.

Local Expenditures: Local governments in distressed areas will experience a decrease in expenditures as they will only be required to match half of the MEDAAF grant and, subsequently, a potential increase in revenues as they will be able to receive larger grants.

Small Business Effect: To the extent that an increased amount of funding is provided to develop distressed areas, small businesses are expected to benefit. MEDAAF funds provided to local governments support the revolving loan fund, which are then provided to small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – January 29, 2001
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