

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 633

(Senator Mooney)

Budget and Taxation

Maryland Economic Development Corporation - Bond Issuance - Requirements

This bill requires the Maryland Economic Development Corporation (MEDCO) to post, for three consecutive weeks, a notice that fully describes a proposed project and MEDCO's intention to issue a bond or make a loan on behalf of the project. A person within a ten-mile radius that provides products or services that are similar to the proposed project can file an economic impact statement with the Secretary of Business and Economic Development (DBED), who would then determine if the statement is supported by substantial evidence that the proposed project would cause a material adverse economic impact. The impact statement must be filed within 30 days of the last notice. If the Secretary finds that substantial evidence of an impact exists, MEDCO may not take further action on the project. The Secretary must issue written findings of the determinations; the findings are conclusive.

Fiscal Summary

State Effect: Potential minimal decrease in nonbudgeted revenues and expenditures to the extent that MEDCO does not participate in projects considered to have an adverse economic impact. DBED staff can review the economic impact statements with existing resources.

Local Effect: Minimal. To the extent that the bill results in cancellation of a locally sponsored project, the local jurisdiction would be affected.

Small Business Effect: Potential minimal. Many of the companies whose products or services are similar to current MEDCO projects are not small businesses. Any small business that claims a material adverse impact could benefit if the proposed project is canceled. However, any small business that would participate in a MEDCO project that is cancelled would be adversely affected.

Analysis

Current Law: MEDCO is authorized to borrow money and issue tax-exempt bonds for economic development projects. Pursuant to Chapter 338 of 2001, MEDCO projects can include the 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 following legislative purposes:

- 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.

Background: In 1984 the General Assembly created MEDCO to boost development in neglected areas of the State and specifically to redevelop an unused property in Western Maryland. MEDCO is governed by a 12-member board of directors of State officials and private business owners who are appointed by the Governor with the advice and consent of the Senate. Its original role was to develop vacant industrial sites that failed to attract private investment and help State and local economic development agencies modernize, retain, and attract businesses.

Examples of MEDCO projects include construction of manufacturing plants for Human Genome Sciences, Inc. in Rockville and General Motors in Baltimore County and development of the Rocky Gap golf resort in Allegany County. MEDCO has completed over 130 projects since its inception. In 1997 MEDCO won a bid to finance and construct a public golf course in Anne Arundel County. A neighboring golf course owner subsequently challenged MEDCO's authority to develop the project and contended it would adversely affect his business. The Circuit Court for Montgomery County and Court of Appeals issued judgments in MEDCO's favor.

State Fiscal Effect: MEDCO relies on its own revenues to support its activities and does not receive any appropriations from the General Assembly. Therefore, any potential decline in projects as a result of the bill would not affect State finances.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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lsc/jr

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