

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 496 (Chairman, Economic Matters Committee)
(By Request – Departmental – Business and Economic Development)

Economic Matters

Finance

**Business and Economic Development - Maryland Economic Development
Assistance Fund**

This departmental bill expands the uses of the Maryland Economic Development Assistance Fund (MEDAF) to include development and carrying costs related to constructing or acquiring real estate, equipment, or site improvements. The bill defines development and carrying costs as those including settlement costs, insurance, interest, taxes, government fees, utilities, and the costs of managing and securing the asset. The bill allows MEDAF to fund feasibility studies if the local jurisdiction adopts a resolution supporting the study; the jurisdiction would not have to pay for the study for MEDAF funds to be used. Further, investments of MEDAF proceeds would not have to be made only in conjunction with a loan or grant.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None. This bill expands the purposes for which existing funds may be used.

Local Effect: Potentially significant increase in revenues for local governments that seek State funds for economic development projects authorized by the bill.

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 agrees with this assessment, as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Chapter 301 of 1999 created MEDAF as a way to provide direct loans, grants, and equity investments for businesses. To qualify for assistance from MEDAF, applicants must be businesses located within a priority funding area and an eligible industry sector. With a few exceptions, assistance cannot exceed 70% of the total project costs unless the recipient is the Maryland Economic Development Corp. (MEDCO), which can request full funding.

Program funds can be used to finance the following: (1) acquisition or construction of a building or real estate or machinery, equipment, leasehold or infrastructure improvements; (2) working capital for significant strategic economic development opportunities or arts and entertainment projects; (3) redevelopment of brownfields sites; (4) up to 50% of renovation or construction costs for a child care facility; (5) up to 20% of the costs for a day care facility loan; (6) costs of feasibility studies incurred by a local government; and (7) up to 50% of a county's or municipality's costs for economic development plans not to exceed \$50,000 over three years.

Background: MEDAF is the largest financing program run by DBED, with a fiscal 2004 capital funds allowance of \$25.5 million. MEDAF provides loans and grants for the following purposes:

- significant strategic economic development opportunities;
- local economic development opportunity;
- direct assistance to local jurisdictions or MEDCO;
- regional or local revolving loan fund; and
- special purpose initiatives, including the Brownfield Revitalization Incentive, and the Seafood and Aquaculture, Animal Waste, and Day Care Centers programs.

State Expenditures: The bill allows MEDAF to be used for carrying costs (costs for warehousing and financing the inventory); it is not known how many projects will be financed or how many businesses will seek funds for carrying costs. The Department of Legislative Services advises that the expanded uses will accelerate the disbursement of existing funds.

Small Business Effect: Small businesses would benefit to the extent that they participate in any additional projects financed under the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 10, 2003
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