

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 497 (Chairman, Economic Matters Committee)
(By Request – Departmental – Business and Economic Development)

Economic Matters Finance

Business and Economic Development - Maryland Economic Development Assistance Fund and Maryland Competitive Advantage Financing Fund

This departmental bill authorizes the Department of Business and Economic Development (DBED) to use the Maryland Economic Development Assistance Fund (MEDAF) and the Maryland Competitive Advantage Financing Fund (MCAFF) to assist businesses and projects in federal disaster areas. It expands the permitted uses of MEDAF to include any project in a federal disaster area and the eligibility criteria for MCAFF so that an applicant is qualified solely by providing evidence that his or her business is in a federal disaster area. A business must apply for assistance from either fund within one year of the federal declaration.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: None. The bill accelerates the use of and expands the eligibility for existing funds in disaster areas only.

Local Effect: Minimal. To the extent a local jurisdiction in a federal disaster area receives State loan funds faster, it would benefit.

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

Analysis

Current Law: MCAFF funds are available for small businesses that have made reasonable efforts to obtain financial assistance from other sources and meet certain qualifications, including evidence that the applicant is financially responsible. The Maryland Economic Development Assistance Authority reviews and approves requests for funds exceeding \$2.5 million from MEDAF. Annually, after considering the recommendation of the Maryland Economic Development Commission, the authority must establish a list of industry sectors that will be eligible for MEDAF loans. The loans are also available for the following purposes: animal waste technology projects; aquaculture projects; redevelopment of a qualified brownfields sites; creation or expansion of a child care facilities; and arts and entertainment enterprises and projects.

Background: On April 28, 2002, a tornado struck the Town of La Plata in Charles County, killing five people, destroying over 800 homes in Charles and Calvert counties, and damaging or destroying almost 200 businesses. The damage was estimated to cost \$100 to \$120 million. Federal aid was granted to repair damage to public buildings, pay emergency response costs, and to assist uninsured home and business owners. The State provided approximately \$3 million for public and private cleanup costs. DBED advises that it was able to provide \$600,000 for the Town of La Plata following the tornado and \$200,000 for businesses; however, it was not able to do so quickly.

MCAFF provides financial assistance to small businesses within the State that have been unable to obtain financing on reasonable terms from traditional sources. The fund provides loans between \$10,000 and \$100,000 to companies with sales of less than \$1 million and fewer than 100 employees. Applicants for financing must be located in a priority funding area. MEDAF includes five separate financing programs for businesses and local governments. To qualify for assistance from MEDAF, applicants are restricted to businesses located within a priority funding area and in an eligible industry sector.

State Expenditures: The Department of Legislative Services notes that federal disaster area declarations occur infrequently in Maryland – the tornado in Southern Maryland was only the third such declaration since 1998. Therefore, the acceleration and expanded eligibility for MEDAF and MCAFF funds authorized under the bill would apply in limited cases.

Small Business Effect: DBED advises that the majority of funds provided for businesses in disaster areas are from insurance settlements and federal aid. Under the bill, however, it will be easier to provide funds for retail businesses that may not otherwise qualify.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Federal Emergency Management Agency, Department of Legislative Services

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Analysis by: Ann Marie Maloney

Direct Inquiries to:
(410) 946-5510
(301) 970-5510