

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1251 (Washington County Delegation)
Economic Matters

PenMar Development Corporation

This emergency bill makes several changes to the qualifications for, and size of, the board of directors for PenMar Development Corporation (PenMar). The bill also alters the appointment authority for certain members and the approval process for bond issuance and lease agreements.

Term limits proposed by the bill do not apply to any term of office served by a board member before the date of enactment.

Fiscal Summary

State Effect: Minimal or none. Nonbudgeted expenditures and revenues for bonds issued by the Maryland Economic Development Corporation (MEDCO) for PenMar projects could be affected only to the extent that additional approval is required.

Local Effect: Minimal. The bill increases the authority of the Washington County government.

Small Business Effect: None.

Analysis

Bill Summary: The bill proposes the following changes for PenMar's board of directors:

- reducing the total number of board members from 18 to 14;

- reclassifying appointed board members as voting members and ex officio board members as nonvoting members;
- expanding the number of nonvoting members from three to five to include a member of the Washington County legislative delegation and the Washington County Board of County Commissioners;
- authorizing the county commissioners to appoint five voting members (rather than 15 under current law) and the State legislative delegation to Washington County to appoint the remaining four voting members;
- reducing the term of appointed members from four to three years;
- prohibiting a board member from serving more than two consecutive two-year terms;
- establishing residency requirements for voting members and requiring the board chairman, vice-chairman, and executive director to reside in Washington County;
- requiring the approval of the county commissioners for bonds issued by MEDCO on behalf of PenMar or for execution of a master lease agreement;
- directing the board to prepare an update of its activities and hold a public hearing at least once a year; and
- enhancing the existing annual report requirements.

The bill specifies that the Washington County Board of County Commissioners and the Washington County delegation may not appoint, respectively, a board or delegation member to PenMar's board of directors. The commissioners may remove a member for cause. It also states that the executive director may not be employed outside of PenMar or receive compensation that would create a conflict of interest or impair the director's impartiality. This qualification and the county residency requirement do not apply to the director who was appointed before the bill became law. However, the residency requirements for board members will apply to those who are now serving.

Current Law: Chapter 737 of 1997 established PenMar to develop Fort Ritchie for civilian uses and accelerate the transfer of the fort's facilities and sites to the private

sector. It replaced the Fort Ritchie Local Redevelopment Authority, which was supported through a combination of federal, State, and local funds.

The corporation is a public instrumentality of the State and is managed by an 18-member board of directors and an executive director. Most board members are appointed by the Washington County Board of County Commissioners and are not subject to any county residency requirements. The Secretary of Business and Economic Development, the executive director of MEDCO, and the executive director of the Washington County Economic Development Commission serve as ex officio members.

In order to finance or refinance projects, the corporation may borrow money and set rates or charges for the use of services; it may not be required to pay any taxes or assessments on its properties or activities. MEDCO may issue bonds on behalf of PenMar.

Background: A military post located in the northeastern corner of Washington County near the Pennsylvania border, Fort Ritchie closed September 30, 1998. PenMar is redeveloping Fort Ritchie as a corporate conference and training center, as well as a site for residential development. The land is still owned by the U.S. Army. PenMar receives most of its support from federal funding dedicated to base closure activities. In fiscal 1998, it received a State loan of \$1.5 million under the Economic Development Opportunities Program Fund (Sunny Day).

Role Models, a company that operated on the former base, has filed a lawsuit in federal court against PenMar, which evicted the company in 2002. Role Models, which provides military-style education for high school drop-out students, is seeking \$304.5 million in punitive and compensatory damages from PenMar and PenMar's director, as well as the U.S. Army and the U.S. Department of Labor.

Additional Information

Prior Introductions: None.

Cross File: SB 790 (Senator Munson, *et al.*) – Finance.

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

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Analysis by: Ann Marie Maloney

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