

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1064 (Chairman, Economic Matters Committee)  
(By Request – Departmental – Business and Economic Development)

Economic Matters

Finance

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**Economic Development - Smart Growth Economic Development Infrastructure  
Fund - Maryland Economic Development Assistance Authority and Fund**

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This departmental bill transfers monies on deposit in the Smart Growth Economic Development Infrastructure Fund (One Maryland) to the Maryland Economic Development Assistance Authority and Fund (MEDAAF) and alters requirements under MEDAAF to accommodate continuation of the One Maryland program (although not by that name) under MEDAAF's broad umbrella.

Most provisions in the bill take effect July 1, 2004. The provision requiring One Maryland funds to be deposited into MEDAAF takes effect June 30, 2004.

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**Fiscal Summary**

**State Effect:** The FY 2005 capital budget bill includes \$12 million for MEDAAF, \$5 million of which has been earmarked for expenditures related to "One Maryland." The Department of Business and Economic Development (DBED) advises that such projects would continue to be funded at \$5 million in future years. As of January 29, 2004, approximately \$1.5 million in the Smart Growth Economic Development Infrastructure Fund had not been committed to a project. Any balance in the fund at year-end would be transferred to MEDAAF.

**Local Effect:** Potentially significant as a continued revenue source for local governments that qualify for funds under the existing One Maryland program.

**Small Business Effect:** DBED has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs, as discussed below.

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## Analysis

**Bill Summary:** The bill requires “One Maryland” loans or grants (qualified distressed county projects) to be formally approved by the Maryland Economic Development Corporation (MEDCO) board of directors and the governing body of the jurisdiction where the project is located. It states that DBED will determine the interest rate for such loans and make periodic reviews to ensure that funds are adequate and being distributed equitably among local jurisdictions. The bill also authorizes DBED to provide financial assistance that exceeds \$2.5 million for a qualified distressed county project.

Qualified distressed county projects are exempt from the requirements that MEDAAF funds be provided only for eligible business sectors and cannot exceed 70% of the project cost. The bill expands the permitted uses for MEDAAF to include feasibility studies.

**Current Law:** The Smart Growth Economic Development Infrastructure Fund was created in 1999 under DBED to provide financial assistance to qualified distressed counties or to MEDCO for economic development projects. The funds can be used to finance acquisitions, improvements and rehabilitation of land for industrial parks, as well as development of water and sewer lines, shell buildings, certain retail projects, and other infrastructure. Financial assistance can include loans, investments, or loans that convert to grants. The One Maryland program and the fund terminates June 30, 2004.

To qualify as a distressed jurisdiction, a county or Baltimore City must have developed a State-approved local strategic plan and have either a higher-than-average unemployment rate (150% of statewide average over 18-month period) or lower-than-average per capita personal income (67% of statewide average for 24-month period). The following jurisdictions qualify as distressed: Baltimore City and Allegany, Caroline, Cecil, Dorchester, Garrett, Somerset, and Worcester counties.

Businesses located in priority funding areas (PFAs) are eligible for One Maryland projects, as well as those located outside of PFAs if the project is approved by the Board of Public Works.

**Background:** In 2000, over 20 DBED financing programs were combined to form 10 programs under Chapter 305. Seven of the programs were consolidated under MEDAAF, which was created in 1999 to provide businesses with low-interest loans to finance working capital, buildings, equipment, and fixtures. Businesses must be in an eligible industry sector to qualify and the project must have a strong potential for expanding or retaining employment within the State. With a few exceptions, assistance cannot exceed 70% of the total project costs unless the recipient is MEDCO, which can request 100% assistance.

MEDAAF now incorporates five financing capabilities, including direct financial assistance to a local jurisdiction for local economic development needs (up to \$3 million) and grants to local or regional revolving loan funds. The fiscal 2005 budget for MEDAAF is \$43.6 million, which includes \$11.8 million of special funds.

**State Expenditures:** State general obligation bond expenditures would continue, at \$5 million in fiscal 2005 and annually thereafter for qualified distressed county projects. DBED has requested \$5 million in its fiscal 2005 capital budget request for this purpose.

**Local Revenues:** The eight counties that currently qualify for One Maryland funds could continue to receive potentially significant revenues in the form of loans or grants. DLS notes that revenues would be slightly lower than previous years but far greater than if the program were not reconstituted under MEDAAF. Funding for One Maryland was \$7.8 million in fiscal 2002, \$7.7 million in fiscal 2003, and \$7.5 million in fiscal 2004. Examples of program activity include a \$2.5 million investment for the Keyser Ridge Industrial Park and a \$3.6 million loan for the Mondawmin Mall in Baltimore City.

**Small Business Effect:** DBED advises that, while small businesses are not direct recipients of One Maryland funds, they would benefit to the extent that economic development projects involve small companies.

**Additional Comments:** The DLS budget analysis of DBED's fiscal 2005 budget request includes a recommendation to make "One Maryland" a separate subprogram under MEDAAF to facilitate legislative oversight of spending.

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### 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 - March 8, 2004  
mll/ljm Revised - Updated Budget Information - May 7, 2004

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