

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 214 (Chairman, Economic Matters Committee)  
(By Request – Departmental – Business and Economic Development)  
Economic Matters Finance

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**Business and Economic Development - Financial Assistance Programs**

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This departmental bill designates the members of the Maryland Industrial Development Financing Authority (MIDFA) to also serve as the members of the Maryland Economic Development Assistance Authority (MEDAA) and alters the appointment process and criteria for members of MIDFA. These members may either act concurrently as members of both authorities or act solely as members of one authority but must carry out their duties, whether acting as a member of one authority or as a member of both authorities. The bill terminates the terms of the current members of MIDFA and MEDAA on July 1, 2005, and provides for the appointment of seven new MIDFA members with staggered terms.

The bill takes effect July, 1 2005.

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**Fiscal Summary**

**State Effect:** None. Any savings from administrative costs associated with MEDAA meetings are assumed to be minimal.

**Local Effect:** None.

**Small Business Effect:** The Department of Business and Economic Development (DBED) has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment as discussed below. The attached assessment does not reflect amendments to the bill.

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## Analysis

**Bill Summary:** Appointed members of MIDFA are appointed by the Governor with the advice and consent of the Senate. The appointed members must have substantial experience in business or economic development, and must reflect the geographic, racial, ethnic, and gender makeup of the State. The amount of assistance the Maryland Industrial Development Fund (MIDF) can provide in any one transaction is raised from \$50,000 to \$250,000. This assistance must be approved by the Executive Director of MIDFA, subject to the concurrence of the Secretary of Business and Economic Development (Secretary), the Secretary's designee, or the chairman of MIDFA.

The bill also alters the economic criteria that determine the counties in which businesses must be located in order to be eligible for certain MIDF assistance. Specially, businesses eligible for MIDF assistance must be located in qualified distressed counties. MIDFA cannot charge premiums for insurance on conventional loans for businesses or facilities in qualified distressed counties.

**Current Law/Background:** In order for a county to receive qualified distressed county status, the past 18 months of available data must show that the county's average unemployment rate is 150% or more of the State unemployment rate and the county's per capita income is 67% or less of the average per capita income for the State. Also, the county and its municipal corporations must create a local strategic plan for economic development approved by the Secretary.

Qualified distressed counties are eligible for assistance under the Smart Growth Economic Development Infrastructure Fund, also referred to as "One Maryland." One Maryland assistance is administered by DBED, and can be in the form of a loan, conditional loan, or investment. Assistance is provided to finance the acquisition, improvement and rehabilitation of land, and for infrastructure projects intended to advance economic development and help create or retain jobs in the community. Counties currently meeting the definition are Baltimore City, and Allegany, Caroline, Cecil, Dorchester, Garrett, Somerset, and Worcester counties. Chapter 216 of 2004 consolidated One Maryland with the Maryland Economic Development Assistance Authority and Fund (MEDAAF).

Chapter 305 of 2000 combined over 20 DBED financing programs to form 10 programs. Seven of the programs were consolidated under MEDAAF, created in 1999 to provide businesses in eligible industries with low-interest loans to finance working capital, buildings, equipment, and fixtures.

MEDAAF now incorporates five financing capabilities, including direct financial assistance to local jurisdictions for economic development needs (up to \$3 million) and

grants to local or regional revolving loan funds. The fiscal 2006 allowance for MEDAAF grants and loans is \$25.75 million, including \$11.75 million of special funds.

MEDAAF is administered by MEDAA, DBED, and the Secretary, who can initiate transactions up to \$2,500,000. MEDAA approves all transactions beyond that. MEDAA consists of nine members, two ex officio members and seven members chosen by the Governor. Members are appointed for a three-year term by the Governor and must have substantial experience in business or economic development and reflect the geographic and demographic makeup of the State. MEDAA does not meet frequently or regularly.

MIDF insures conventional loans made by financial institutions. MIDF insures up to the lesser of either 80% (or 90% in the case of export financing) of the obligation, or \$2.5 million. It also may pay or insure the payment of premiums or fees for insurance, guarantees, or other credit support from a third party.

MIDF cannot charge premiums for insurance for businesses or facilities in counties where the average unemployment rate is 1% more than the average unemployment rate for the U.S. or higher. Businesses eligible for MIDF assistance must be located in counties where the unemployment rate is 130% of the State unemployment rate and that have a population of less than 200,000.

MIDFA consists of seven public-sector employees appointed by the Secretary of Business and Economic Development and two ex officio members. Members are appointed to a five-year term. MIDFA approves all transactions within these programs and usually meets monthly. The executive director of MIDFA can authorize transactions up to \$50,000, subject to the concurrence of the Secretary or the chairman of MIDFA.

The current MIDF assistance criteria are inconsistent with the definition of qualified distressed county used in determining eligibility for MEDAAF assistance. Using the One Maryland criteria would allow businesses in Baltimore City and Caroline and Cecil counties to be eligible for "linked deposit" assistance (lenders agree to provide an eligible business with a loan at below market rates in exchange for having a certificate of deposit of equal value placed with their institution). It would also add Allegany, Caroline, and Cecil counties to the list of counties in which businesses would be eligible for an insurance premium exemption.

**Small Business Effect:** This bill will allow the Executive Director of MIDFA to approve transactions of up to \$250,000 without needing approval from the entire authority, expediting the approval of transactions. This will help small businesses obtain funding from private institutions. Further, changing the definition of businesses eligible for

Linked Deposit and Premium Exemption assistance allows additional businesses in qualified distressed counties to be eligible for assistance.

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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

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