

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1594
Appropriations

(Delegate Rudolph, *et al.*)

Budget and Taxation

Maryland Agricultural and Resource-Based Industry Development Corporation
- Annual State Funding and Duties

This bill authorizes the Governor to include each year in the budget bill an appropriation to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) in an amount up to \$5 million in order to capitalize MARBIDCO; if the State has provided \$12 million or less from fiscal 2006 through 2010, the Governor may include an appropriation of up to \$6.5 million annually.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: The bill does not require the Governor to include an appropriation in the budget bill for MARBIDCO; MARBIDCO is already authorized to receive annual funding through a State budget appropriation. Assuming that, in the absence of the bill, the Governor would not have included an appropriation in an amount in excess of the bill's limits in any given year, the bill would have no impact on State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill also modifies the stated purpose of MARBIDCO to include the temporary purchase of land and easements in accordance with State or local critical farm acquisition programs.

Current Law/Background: Chapter 467 of 2004 established MARBIDCO as a public corporation to provide financing to agricultural and resource-based industries. Specifically, MARBIDCO was established to: (1) develop agricultural industries and markets; (2) support appropriate commercialization of agricultural processes and technology; and (3) alleviate the shortage of nontraditional capital credit available at affordable interest rates for investment in agriculture and sale of related products and services, as well as capital investment in agricultural projects by providing capital and credit within the financial means of the recipient.

Chapter 467 authorized MARBIDCO to receive annual funding through a State budget appropriation. An uncodified provision of Chapter 467 established the intent of the General Assembly that State funding be provided to the corporation with existing resources from the Departments of Agriculture, Budget and Management, the Environment, Business and Economic Development, and Housing and Community Development, and other relevant State agencies. Another uncodified provision of Chapter 467 provided that additional funding (beyond existing resources) may not be provided for staffing, operations, or capital needs of MARBIDCO until the State's fiscal crisis and structural deficit are resolved. MARBIDCO is required to conduct its financial affairs in such a manner that it will be self-sufficient by 2020.

The fiscal 2006 budget does not include any funding for MARBIDCO.

State Fiscal Effect: Under current law, MARBIDCO is authorized to receive annual funding through a State budget appropriation; accordingly, the Governor is already authorized to include an appropriation in the budget bill for MARBIDCO. This bill would, therefore, merely limit the Governor from including more than \$5 million annually, or, under specified conditions, \$6.5 million annually, in order to capitalize MARBIDCO. Although future budget allowances cannot be predicted, assuming that, in the absence of the bill, the Governor would not have included an appropriation in an amount in excess of the bill's limits in any given year, the bill would have no impact on State finances.

Legislative Services notes that, if MARBIDCO were to receive an appropriation, according to information provided by the Maryland Department of Agriculture (MDA), the projected annual operating budget for MARBIDCO for fiscal 2007 includes personnel expenditures of approximately \$456,000 (to hire an executive director and five additional staff), operating expenses of \$144,000, and grant expenditures of \$100,000; any remaining funds would be put into a revolving loan fund.

According to MDA, an ad hoc interagency committee met during the summer of 2004 and identified four potential programmatic areas for MARBIDCO during its first year of operation: (1) a Maryland Farm and Producer Viability Program and Fund, to provide

small grants (up to \$15,000) and low-interest loans (up to \$50,000) to participating producers to develop and implement business plans; (2) a Maryland Resource-Based Industry Financing Fund, to provide low-interest loans of up to \$250,000 to the food processing, forestry, seafood, and aquaculture industries for the purchase of land and capital equipment for production and processing activities; (3) a Maryland Rural Environmental Enhancement Fund, to provide low-interest loans of up to \$500,000 for producer activities specifically designed to improve land and water quality; and (4) a Critical Farms Financing Program, if sufficient funds are available, to provide bridge or interim financing for the acquisition of agricultural preservation easements in cases where young and/or beginning farmers would like to purchase farmland for sustainable agricultural use.

Additional Information

Prior Introductions: None.

Cross File: SB 1006 (Senator Munson, *et al.*) – Budget and Taxation.

Information Source(s): Maryland Department of Agriculture, Department of Natural Resources, Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2005
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