

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 1006 (Senator Munson, *et al.*)
 Budget and Taxation

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

This bill requires the Governor, for fiscal 2007 through 2016, to include in the budget bill an appropriation to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) in an amount equal to at least \$4.5 million.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: General fund expenditure increase of at least \$4.5 million annually from FY 2007 through 2016 to capitalize MARBIDCO.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	4,500,000	4,500,000	4,500,000	4,500,000
Net Effect	\$0	(\$4,500,000)	(\$4,500,000)	(\$4,500,000)	(\$4,500,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: The bill would not directly affect local governments. However, to the extent that the bill results in the continuation or expansion of resource-based businesses, the bill could result in an increase in local tax revenues.

Small Business Effect: Meaningful.

Analysis

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.

State Fiscal Effect: General fund expenditures would increase by at least \$4.5 million annually from fiscal 2007 through 2016 to capitalize MARBIDCO. 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; the remaining funds (\$3.8 million) would be put into a revolving loan fund. Assuming an annual contribution to the revolving loan fund of \$3.8 million through fiscal 2016, minimal bad debt write-downs (less than 2% annually), and an average rate of return on investment of about 2.1%, MDA advises that MARBIDCO should become self-supporting in 2016.

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.

To the extent that the bill results in the continuation or expansion of resource-based businesses, the bill could result in an increase in State tax revenues.

Small Business Effect: Small agricultural and resource-based businesses could benefit to the extent they are eligible for additional financial or technical assistance as a result of the bill. According to MDA, the vast majority of MARBIDCO's clientele will be small businesses. The 2002 agricultural census reported that there were 12,198 farms in Maryland. MDA advises that in 2002, there were 74 seafood processing plants in the State, employing 1,314 people. According to information provided by MDA, the timber products industry in Maryland is the fifth largest industry in the State, employing some 14,000 people.

Additional Information

Prior Introductions: None.

Cross File: HB 1594 (Delegate Rudolph, *et al.*) – Appropriations.

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

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