

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 277
Finance

(Senator Madaleno)

Economic Development Opportunities (Sunny Day) Account - Extraordinary
Economic Development Opportunity - Definition

This bill includes an opportunity to secure an advantage in new or emerging technologies in the definition of “extraordinary economic development opportunity” involving a public institution, private institution, or federal research and development institute under the Economic Development Opportunities (Sunny Day) Account.

Fiscal Summary

State Effect: None. The bill codifies current practice.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Sunny Day Account was established in 1988 to provide conditional loans and investments to take advantage of extraordinary economic development opportunities. It is administered by the Department of Business and Economic Development (DBED).

An extraordinary economic development opportunity may be the attraction, establishment, expansion, or retention of a public institution, private institution, or federal research and development institute. That opportunity must be consistent with the State’s strategic plan for economic development, and create or retain substantial numbers of jobs.

The Legislative Policy Committee (LPC) may approve an economic development opportunity that does not meet the definition of extraordinary if the executive agency requesting the transfer of funds offers a detailed justification. The committee must give particular consideration to an exemption that would provide a significant opportunity for an area with a relatively high unemployment rate or low per capita income.

Background: Since 2003, DBED has financed at least \$21.7 million in life science and biotechnology infrastructure projects at higher education institutions through Sunny Day; several of the projects did not meet the current definition of extraordinary because they did not propose to retain or create substantial employment.

For example, LPC approved a grant for \$775,000 in 2003 to provide new equipment for the Bioprocess Scale-up Facility at the University of Maryland, College Park (UMCP). In 2005, LPC approved a \$690,000 grant to purchase new equipment for two new laboratory facilities at UMCP and the University of Maryland Baltimore County. These and other similar projects did not meet the requirements of an extraordinary economic development opportunity as neither had an associated substantial employment increase. However, LPC was authorized to approve these projects under a provision of the Sunny Day statute that allows certain exceptions.

As of June 30, 2006, DBED had settled 115 Sunny Day transactions with an aggregate original balance of approximately \$156.3 million. DBED advises that this assistance has helped generate approximately 23,000 jobs and retain 35,000 others, and led to capital investment of over \$2 billion.

At the start of fiscal 2007, the Sunny Day Fund had a balance of \$22.0 million, and anticipated income of \$2.8 million. After expenses, the Sunny Day Fund had \$24.1 million in available funds for fiscal 2007. By January 2007, \$21.5 million had been disbursed or committed, leaving an estimated \$2.6 million in funds available. LPC approved a request to reduce the amount of funds committed to one project and approved another request for \$1.9 million in January 2007 resulting in an estimated \$4.1 million increase in available funds.

The Governor's proposed fiscal 2008 budget includes a \$2.0 million general fund allowance for the Sunny Day program. Also, the fiscal 2007 budget included \$2.5 million to support nano-biotechnology research at University System of Maryland institutions. The Governor's proposed fiscal 2008 budget includes an allowance of \$2.5 million for this purpose.

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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ncs/rhh

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