

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 59

(Chair, Economic Matters Committee)(By Request -
Departmental - Commerce)

Economic Matters

Finance

**Department of Economic Competitiveness and Commerce - Renaming and
Reorganization**

This departmental bill renames the Department of Economic Competitiveness and Commerce (DECC) to be the Department of Commerce, repeals the Office of the Secretary of Commerce in the Governor's Office, and repeals the Executive Director position in DECC. The Secretary of Commerce remains the head of and responsible for the department.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Although the bill implements current practice, general fund expenditures decrease by \$484,000 to \$541,000 annually to the extent that the Office of the Secretary of Commerce in the Governor's Office and the Executive Director position in the department would have been funded in accordance with current law, as discussed below. Revenues are not affected.

Local Effect: None.

Small Business Effect: The Department of Commerce has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill).

Analysis

Current Law/Background: In response to concerns regarding the business climate in the State, in March 2014 the Presiding Officers of the General Assembly established and appointed the Maryland Economic Development and Business Climate Commission (Augustine Commission or commission) to focus on the State's economic development structure and incentive programs. In February 2015, the commission reported its interim findings and recommendations to the Presiding Officers. As a result of the commission's work, the Presiding Officers introduced a package of legislation to implement several of the commission's recommendations.

After reviewing the State's economic development entities and functions, the Augustine Commission found that economic development entities in the State needed to be reorganized in a manner that reflects the importance of their missions, facilitates accountability, and encourages ease of navigation (finding 1 of the interim report). Accordingly, Chapter 141 of 2015 restructured the State's principal economic development entities which, among several other major changes, reorganized the Department of Business and Economic Development into DECC.

Concurrent with the October 1, 2015 effective date of Chapter 141, Executive Order 01.01.2015.22 changed the department's name from DECC to the Department of Commerce. Its website, logo, email addresses, and other such items already reflect this change. The department indicates that it was advised by the Attorney General's Office that an executive order was necessary, at a minimum, for the department to refer to itself as the Department of Commerce, but that a statutory change to the name would be the safest course legally.

Chapter 141 also created the Office of the Secretary of Commerce in the Office of the Governor and required the Secretary to employ an Executive Director in the department responsible for carrying out the Secretary's policies on matters assigned to DECC. The Act specified that the Executive Director of DECC is the successor of the Secretary of Business and Economic Development.

However, the Secretary of Business and Economic Development was appointed the Secretary of Commerce, an Executive Director was not hired, and an additional "office" in the Governor's Office was not physically established or funded. Instead, the Secretary has been performing the statutory duties of both the Secretary of Commerce and the Executive Director.

State Expenditures: While the bill aligns statute with current practice, it eliminates the Office of the Secretary of Commerce in the Governor's Office and the Executive Director position in the department, which could be funded in future years if the Governor chooses

to do so. The Secretary of Commerce position remains under the bill but is housed within the department instead of the Governor's Office. Therefore, the potential effect is the savings associated with eliminating four positions: (1) the other staff associated with the Office of the Secretary of Commerce in the Office of the Governor; and (2) the Executive Director position in the department.

In the fiscal and policy note for House Bill 943 of 2015 (Chapter 141), costs for the office, absent the Secretary, were estimated to be about \$250,000 to \$280,000 annually, which reflects the costs of two administrative staff and one senior policy advisor. The total cost for an Executive Director position at the department (salary and fringe) is about \$235,000 to \$261,000 annually, based on the fiscal 2016 salary of the Secretary of Business and Economic Development. Thus, general fund expenditures decrease by \$484,000 to \$541,000 annually to the extent that the Office of the Secretary of Commerce in the Governor's Office and the Executive Director position in the department would have been funded in accordance with current law.

Renaming the department from DECC to the Department of Commerce, which also aligns statute with current practice, does not materially affect State finances or operations.

Additional Information

Prior Introductions: None.

Cross File: SB 85 (Chair, Finance Committee)(By Request - Departmental - Commerce) - Finance.

Information Source(s): Department of Commerce, Department of Legislative Services

Fiscal Note History: First Reader - January 15, 2016
min/rhh Revised - House Third Reader - March 28, 2016

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Competitiveness and Commerce – Department of Commerce

BILL NUMBER: HB 59

PREPARED BY: Mikra Krasniqi – Department of Commerce

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposal to change the name of Department of Economic Competitiveness and Commerce to Department of Commerce is not expected to have any economic impact on Maryland small business community. The statutory name change will have to be publicized effectively in the business community to avoid any possible confusion among firms that want to interact with the agency.