

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 803

(Senators Edwards and Corderman)

Budget and Taxation

Ways and Means

Economic Development – Western Maryland Economic Future Investment Board and Fund – Establishment

This bill establishes the Western Maryland Economic Future Investment program, board, and fund. The Tri-County Council for Western Maryland must provide staff for the board and administer the fund. The purpose of the fund is to provide grants for capital infrastructure projects and business development projects that improve economic conditions in the region, and it may only be used for that purpose and for administrative expenses. A (council) member county or local entity within a member county may apply for grant funding, as specified. From fiscal 2023 through 2027, the Governor must annually appropriate at least \$7.5 million in the operating or capital budget to the fund, although the bill specifies the intent of the General Assembly that the annual appropriation be \$15.0 million. **The bill terminates September 30, 2026.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund expenditures increase by at least \$7.5 million annually from FY 2023 through 2027, under the assumptions discussed below. Special fund revenues and expenditures increase correspondingly. **This bill establishes a mandated appropriation from FY 2023 through 2027.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$0	\$7.5	\$7.5	\$7.5	\$7.5
GF Expenditure	\$0	\$7.5	\$7.5	\$7.5	\$7.5
SF Expenditure	\$0	\$7.5	\$7.5	\$7.5	\$7.5
Net Effect	\$0.0	(\$7.5)	(\$7.5)	(\$7.5)	(\$7.5)

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

Local Effect: Local revenues and expenditures for Allegany, Garrett, and Washington counties increase significantly from FY 2023 through 2027.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The Western Maryland Economic Future Investment Board is established, consisting largely of local government and economic development representatives, plus one representative from the Department of Commerce, appointed by the Secretary of Commerce, who must chair the board. A member of the board may not receive compensation as a member of the board, but is entitled to reimbursement for travel expenses. The board must adopt regulations to implement the program and meet a related annual reporting requirement by December 31 each year.

A member county or local entity within a member county may submit a proposal for grant funding under the program. To qualify, a project must be:

- a capital infrastructure project that (1) is linked to economic development in the region, as approved by the board, and (2) receives 20% matching funds from the member county where the project is located, another local entity, a private business, or a combination thereof;
- a business development project that (1) encourages and promotes downtown neighborhood revitalization, small business tourism, or other areas as approved by the board and (2) receives 10% matching funds from the member county where the project is located, another local entity, a private business, or a combination thereof; or
- any other project that the board determines is appropriate to promote economic development in the region.

The board must develop criteria to review, evaluate, and rate project proposals for funding under the program and must distribute funding in accordance with those criteria; however, the criteria must ensure that the project creates or retains jobs, creates or retains businesses, increases wages, or creates new State or local tax revenue.

The board must monitor and track the progress of each project that receives grant funding and, if the board determines that sufficient progress is not being made toward achieving program requirements, the board may reclaim the awarded grant funds.

The grant funding provided under the program must be used to supplement, and not supplant, any funds that would otherwise be provided to the board or the member counties.

Current Law: The Tri-County Council for Western Maryland is a 26-member regional economic development organization representing Allegany, Garrett, and Washington

counties. The council is governed by a board of directors, which includes representatives from both the public and private sectors. There are other analogous councils across the State.

State Fiscal Effect: The bill requires at least \$7.5 million be appropriated to the Western Maryland Economic Future Investment Fund from fiscal 2023 through 2027 in the State operating or capital budget. This analysis assumes that the funding is provided in the operating budget and that the minimum required funding is appropriated (despite the intent language for \$15.0 million in annual funding); to the extent that funds are provided in the capital budget instead, overall State expenditures are not affected by the mandate, but funds are reallocated from other capital projects.

Accordingly, general fund expenditures increase by at least \$7.5 million annually from fiscal 2023 through 2027 to meet the required funding mandate. Special fund revenues increase correspondingly as funds are received and used to pay for administrative expenses and to provide grants to eligible recipients. Administrative expenses for the council are unknown at this time, as the council did not respond to multiple requests for information; however, a significant majority of available funding should be available each year for grants. Special fund revenues and expenditures may further increase in any year to the extent that grants are recaptured from nonperforming projects and reallocated. Expenses for board members are minimal and absorbable within existing budgeted resources, and Commerce advises that existing staff can chair the board.

Local Fiscal Effect: Member counties may receive direct grant funding under the program. Therefore, local revenues for Allegany, Garrett, and Washington counties increase significantly from fiscal 2023 through 2027 from any such grants. Local expenditures increase correspondingly as grant funds are expended on infrastructure projects. Additionally, local governments are one of several eligible sources of matching funds that are generally required under the program, so local expenditures may further increase to the extent that such matching funds are provided.

Small Business Effect: Small businesses in industries supported by direct infrastructure and business development spending benefit significantly beginning in fiscal 2023 and through the completion of the funded projects. Other small businesses in Western Maryland may benefit from the completed projects as well.

Additional Comments: Chapter 207 of 2020 established the Task Force on the Economic Future of Western Maryland staffed by Commerce. The task force must study the current economic conditions of Western Maryland and make recommendations on potential methods to improve the economies of Allegany, Garrett, and Washington counties. The bill implements a recommendation made in the task force's [interim report](#) – albeit at a lower funding level.

The Department of Legislative Services notes that the bill's termination one quarter of the way through fiscal 2027 could make grant disbursement difficult in that year and preclude a final reporting requirement.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1144 (Delegate Buckel) - Ways and Means.

Information Source(s): Department of Commerce; Department of Budget and Management; Garrett County; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2021
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