

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 191

(Chair, Finance Committee)(By Request - Departmental -
Commerce)

Finance

Ways and Means

**Maryland Department of Commerce - Reporting Requirements and Purple Line
Construction Zone Grant Program - Alterations**

This departmental bill alters the Purple Line Construction Zone Grant Program by requiring the Department of Commerce to, rather than make awards directly, distribute funds under the program to Montgomery and Prince George’s counties, which must implement a process for awarding grants to eligible qualified small businesses. The bill also expands the definition of “economic development program” for purposes of specified data collection, tracking, and reporting requirements under the Maryland Jobs Development Act to include any other tax credit programs administered by Commerce. In the annual report on its economic development programs, Commerce must include, if applicable, a statement on reduced, revoked, or recaptured tax credits or financial assistance. The bill alters the information required to be available on Commerce’s website and streamlines and consolidates reporting requirements for economic development and tax credit programs administered by Commerce by eliminating separate reports and specified additional items to be reported. The bill also eliminates the requirement for joint assessment of certain tax credits and incentives by Commerce and the Comptroller’s Office. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: State finances are not materially affected, but the bill results in operational efficiencies for Commerce, the Maryland Department of Transportation (MDOT), the Maryland Transit Administration (MTA), and potentially for the Comptroller’s Office.

Local Effect: In Montgomery and Prince George’s counties, revenues and expenditures increase in total by \$1.0 million annually in FY 2023 and 2024 to award grants to eligible qualified small businesses.

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

Analysis

Bill Summary: The database that Commerce must maintain and update on its website must include, as applicable, specified information, including the amount of capital investment made or project costs incurred by each recipient.

The bill eliminates the requirement that (1) the Secretary of Commerce submit a report on the Partnership for Workforce Quality Program to the Governor's Workforce Development Board and the Maryland Economic Development Commission and (2) the Maryland Industrial Development Financing Authority submit a report on its conditions and operations to the chair of the Joint Audit and Evaluation Committee.

Fund managers receiving grants from the Small, Minority, and Women-Owned Businesses Account must provide an annual report to Commerce instead of to the Governor and the General Assembly on investment capital and loans.

The bill eliminates the review and evaluation process of the Make Office Vacancies Extinct program; instead, Commerce must report on the program's effectiveness under the Maryland Jobs Development Act. The bill eliminates separate reporting requirements for the Enterprise Zones program, BRAC Revitalization and Incentive Zones program, RISE Zones program, Strategic Energy Investment Fund, and More Jobs for Marylanders program. Instead, these programs are subject to the reporting requirements under the Maryland Jobs Development Act.

While eliminating specified items to be reported, the bill retains required reporting by Commerce under the Maryland Jobs Development Act for the Job Creation Tax Credit program, Research and Development Tax Credit program, Biotechnology Investment Incentive Tax Credit program, Film Production Activity Tax Credit program, Innovation Investment Incentive Tax Credit program, and Purchase of Cybersecurity Technology or Cybersecurity Service Tax Credit program. A separate report to the Governor and General Assembly on the Film Production Activity Tax Credit program is also eliminated.

Purple Line Construction Zone Grant Program

The purpose of the Purple Line Construction Zone Grant Program is modified so that it provides funds to Montgomery and Prince George's counties, which then must provide assistance to qualified small businesses to assist in offsetting business revenue lost as a

result of the construction of the Purple Line light rail project in those counties. Accordingly, Commerce no longer must administer the program, nor must it, in consultation with MDOT, adopt regulations to implement the program. Instead, Commerce must distribute funds provided for the program to Montgomery and Prince George's counties based on the number of qualified small businesses located in those counties. A county that receives funds must implement a process for awarding grants to eligible qualified small businesses.

Commerce may distribute funding and a county may award grants until all the money allotted for the program has been distributed or awarded or until December 31, 2024, whichever occurs first. Although the restriction on Commerce awarding more than one grant to the same qualified small business in a 12-month period is repealed, there is no corresponding restriction on awards made by Montgomery and Prince George's counties. Any money that has not been distributed or awarded on or before December 31, 2024, must revert to the Maryland Economic Development Assistance Fund (MEDAF).

Current Law/Background:

Maryland Jobs Development Act

Under the Maryland Jobs Development Act, Commerce must annually provide a report to the Governor and the General Assembly on specified outcomes related to the department's economic development programs, including each tax credit program defined as such a program. The report must include the following data, if applicable, on the programs:

- the number of jobs created;
- the number of jobs retained;
- the estimated amount of State revenue generated;
- the status of any special fund;
- specified minority business enterprises information; and
- any additional information required by Commerce through regulations.

The data must be provided in the aggregate but also disaggregated by each program and each recipient of assistance from a program. The report must also include any additional information required under the law authorizing a particular program. Finally, if a recipient of assistance from a program is not meeting the program's requirements, Commerce must implement a process to assist the recipient in doing so.

The most recently available report, containing data from fiscal 2020, can be found [here](#).

Database on Commerce's Website

Commerce must maintain an online, downloadable, publicly available database on its [website](#). The database that Commerce must establish, maintain, and annually update must include specified additional information for each of the department's economic development programs, including:

- the name of each business entity that is a recipient of an economic development program;
- the total amount of tax credits certified, financial assistance paid, and loans forgiven or uncollectible by the department, reported in the aggregate for each economic development program and each recipient of the tax credit or financial assistance;
- information related to the number of jobs created and the average salary, if applicable; and
- a statement indicating whether, during the current reporting year, the department reduced, revoked, or recaptured a tax credit or any amount of financial assistance from a recipient and related information, if applicable.

Mandated Reports for Programs Administered by Commerce

Commerce notes that, as the department must submit 53 separate mandated reports, often the same information is reported several times in various reports. Many of Commerce's economic development financing and tax credit programs include a reporting requirement for each program under the Tax General Article and Title 5 or 6 of the Economic Development Article, along with being subject to omnibus reporting requirements under the Maryland Jobs Development Act.

Purple Line Construction Zone Grant Program

The purpose of the Purple Line Construction Zone Grant Program, which must be implemented and administered by Commerce, is to provide funds to qualified small businesses to assist in offsetting business revenue lost as a result of the construction of the Purple Line light rail project in Montgomery and Prince George's counties. In each of fiscal 2023 and 2024, Commerce must provide \$1.0 million in general funds to the grant program to assist qualified small businesses.

Commerce, in consultation with MDOT, must adopt regulations to implement the grant program, including regulations to establish eligibility and grant application requirements and a process for reviewing grant applications and awarding grants to eligible qualified small businesses. In developing the regulations, Commerce and MTA must consult qualified small businesses to ensure that the eligibility and application requirements for the

grant program are not overly burdensome to qualified small businesses. Commerce must make the application developed for the program available to qualified small businesses as soon as practicable.

A “qualified small business” is a sole proprietorship, a partnership, a limited partnership, a limited liability partnership, a limited liability company, or a corporation that (1) employs 20 or fewer employees; (2) is independently owned and operated; (3) is not a subsidiary of another business; (4) is not dominant in its field of operations; and (5) is impacted by the construction of the Purple Line light rail project in Montgomery and Prince George’s counties. Subject to the eligibility requirements established by Commerce by regulation, if a qualified small business is required to be registered with the State and is registered with the State, the small business may apply for a grant regardless of ownership or location.

Commerce must also establish, by regulation, guidelines to calculate the amount of a grant awarded under the program, as specified. A grant awarded under the program may not exceed \$50,000. Commerce may award grants until all the money allotted for the program has been awarded or until December 31, 2024, whichever occurs first; however, Commerce may not award more than one grant to the same qualified small business in a 12-month period. Any money that has not been awarded on or before December 31, 2024, must revert to MEDAF.

Local Fiscal Effect: In Montgomery and Prince George’s counties, revenues and expenditures increase in total by \$1.0 million annually in fiscal 2023 and 2024 to award grants to eligible qualified small businesses. DLS assumes the counties can award grants with existing staff. However, to the extent that contractual employees are needed to award grants, local expenditures may increase further or less funding is available for grants.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Prince George’s County; Department of Commerce; Comptroller’s Office; Department of Legislative Services

Fiscal Note History:
rh/ljm

First Reader - January 14, 2022

Third Reader - March 22, 2022

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Department of Commerce – Transparency and Efficiency in Reporting Act

BILL NUMBER: SB 191

PREPARED BY:

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

Streamlining the Department's reporting requirements to be more transparent and efficient will benefit Commerce administratively, but have no impact on small businesses.