

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 474

(Senator Edwards, *et al.*)

Budget and Taxation

Ways and Means

**Economic Development - Western Maryland Economic Future Investment Board
and Senator George C. Edwards Fund - Establishment**

This bill establishes the Western Maryland Economic Future Investment program and board and the Senator George C. Edwards Fund. The Tri-County Council for Western Maryland must staff the board and administer the fund. The purpose of the fund is to provide grants and loans for capital infrastructure projects and business development projects that improve economic conditions in the region; it may only be used for that purpose and administrative expenses. A (council) member county or local entity within a member county may apply for funding, as specified. From fiscal 2024 through 2026, the Governor must annually appropriate at least \$10.0 million to the fund in the State operating or capital budget. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund expenditures increase by \$20.0 million in FY 2023 (as provided in the FY 2023 budget) and by at least \$10.0 million annually from FY 2024 through 2026 (which may be pay-as-you-go (PAYGO)). Funding beyond FY 2026 is discretionary. Special fund revenues and expenditures increase correspondingly and may further increase due to loan repayments being recirculated through the program. **This bill establishes a mandated appropriation from FY 2024 through 2026.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$20.0	\$10.0	\$10.0	\$10.0	-
GF Expenditure	\$20.0	\$10.0	\$10.0	\$10.0	-
SF Expenditure	\$20.0	\$10.0	\$10.0	\$10.0	-
Net Effect	(\$20.0)	(\$10.0)	(\$10.0)	(\$10.0)	(-)

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 beginning in FY 2023.

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 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 funding. If the board determines that sufficient progress is not being made toward achieving program requirements, the board may reclaim the awarded funds.

The 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 fiscal 2023 operating budget, specifically Supplemental Budget No. 5, includes \$20.0 million in general funds within the Dedicated Purpose Account to be transferred by budget amendment to the Western Maryland Economic Future Investment Fund (the name for the fund in this bill as introduced).

The bill requires that at least \$10.0 million be provided to the Senator George C. Edwards Fund from fiscal 2024 through 2026 in the State operating or capital budget. As the General Assembly cannot mandate appropriations in the capital budget, this analysis assumes that general funds are used to meet the bill's mandated appropriation, which may be PAYGO funding. To the extent that general obligation bonds are used instead, there is no effect on total capital expenditures, but fewer funds are available for other capital projects.

Accordingly, general fund expenditures increase by \$20.0 million in fiscal 2023, as provided for in the budget, and by at least \$10.0 million annually from fiscal 2024 through 2026 to capitalize the fund as required by the bill. Funding beyond fiscal 2026 is discretionary. Special fund revenues and expenditures increase correspondingly as funds are received and then used to pay for administrative expenses and to provide grants and loans to eligible recipients. Administrative expenses for the council are unknown at this time, but the council expects the administrative expenses to be reasonable so a significant majority of funding should be available each year for grants and loans. Special fund revenues and expenditures further increase to the extent that (1) loans are made and repaid and (2) funding is 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.

This analysis does not reflect any effect on State tax revenues from the economic development initiatives funded by the program.

Local Fiscal Effect: Member counties may receive direct grant and loan funding under the program. Therefore, local revenues for Allegany, Garrett, and Washington counties increase significantly beginning in fiscal 2023 from any such funding, though funding beyond fiscal 2026 is discretionary. Local expenditures increase correspondingly as funds are expended on infrastructure projects, and may increase further for debt service payments, if applicable. Additionally, local governments are one of several eligible sources of matching funds that are generally required under the program, so local expenditures further increase to the extent that such matching funds are provided. Alternatively, if the local match amount was already planned to be expended absent the bill, the match leverages additional funding.

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 was required to study the economic conditions of Western Maryland and make recommendations on potential methods to improve the economies of Allegany, Garrett, and Washington counties. The bill generally implements a recommendation made in the task force's [interim report](#), which was reiterated with some refinements in its [final report](#).

Additional Information

Prior Introductions: A similar bill, SB 803 of 2021, passed the Senate with amendments and received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, HB 1144, received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: HB 838 (Delegate Buckel, *et al.*) - Ways and Means.

Information Source(s): Allegany, Garrett, and Washington counties; Tri-County Council for Western Maryland; Maryland Municipal League; Department of Budget and Management; Department of Commerce; Department of Legislative Services

Fiscal Note History:

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