Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 30 (Senator Ellis)
Finance

Maryland Economic Development Assistance Authority and Fund - High Impact Development Project Program

---

This bill establishes the High Impact Development Project Program in the Department of Commerce to provide financial assistance to industrial development agencies (IDAs) or enterprises undertaking high impact, placemaking projects that will support business formation, expansion, or retention of manufacturers in the State. Financial assistance can be in the form of a grant, loan, or investment. For fiscal 2026, the Governor must include in the annual budget bill an appropriation of $600.0 million to the Maryland Economic Development Assistance Fund (MEDAF) to be used under a dedicated account established by the bill for the program. Awards to a single entity may not exceed $50.0 million in a fiscal year. **The bill takes effect July 1, 2024, and terminates June 30, 2044.**

Fiscal Summary

State Effect: No effect in FY 2025. General fund expenditures increase by $600.0 million in FY 2026 and may increase in future years to provide discretionary funding. Special fund revenues for MEDAF increase correspondingly. Special fund revenues for MEDAF may increase beginning in FY 2027 from discretionary funding and/or loan repayments and/or investment earnings. Special fund expenditures increase beginning in FY 2026 for Commerce to provide financial assistance to eligible recipients. Nonbudgeted expenditures (matching funds) and special fund revenues and expenditures may increase for some quasi-State entities beginning in FY 2026. **This bill establishes a mandated appropriation for FY 2026.**

Local Effect: Local revenues and expenditures may increase beginning in FY 2026, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The High Impact Development Project Program is established in Commerce and incorporated into the Maryland Economic Development Assistance Authority and Fund (MEDAAF) statute, including conforming changes to exempt financial assistance offered under the program from general MEDAAF limits. The purpose of the program is to provide financial assistance to IDAs or enterprises undertaking high impact, placemaking projects that will support business formation, expansion, or retention of manufacturers in the State.

"Industrial development agency" means any incorporated organization, foundation, association, or agency (1) that has as its primary function the promotion, encouragement, and development of industrial, commercial, manufacturing, and tourist enterprises or projects in the State and (2) to whose members or shareholders no profit inures. A "high impact development project" means a manufacturing project in which an IDA or enterprise undertaking the project will *privately* invest a minimum of $50.0 million.

In order to obtain financial assistance through the program, the IDA or enterprise undertaking the high impact development project must submit an application to Commerce, as specified. The application must include a written referral to the program by the Governor. Commerce must evaluate the request for financial assistance, determine whether to approve the request, determine the amount, and set the terms and conditions.

A single entity may be issued no more than $50.0 million in financial assistance under the program in a fiscal year. Subject to the availability of money within the High Impact Development Project Account established in MEDAF by the bill, Commerce may issue financial assistance of up to $500.0 million annually, on a rolling basis, for business formation or expansion in the State, *or* up to $100.0 million annually, on a rolling basis, for the retention of businesses in the State.

Current Law:

Maryland Economic Development Assistance Authority and Fund

MEDAAF is Commerce's primary and most flexible tool for business financial assistance, with five capabilities, which are to provide:

- loans to businesses of up to $10.0 million for a significant economic development opportunity on a statewide or regional level;

- loans to businesses of up to $5.0 million, or conditional loans and grants to businesses of up to $2.0 million, for a local economic development opportunity;
- direct assistance to the Maryland Economic Development Corporation (MEDCO) or a local jurisdiction for purposes such as land acquisition, infrastructure improvements, acquisition of fixed assets, and leasehold improvements;
- grants to regional or local revolving loan funds; and
- special purpose loans, including day care facilities, aquaculture, and brownfields.

Generally, businesses must be located within a priority funding area and an eligible industry sector. With few exceptions, assistance may not exceed 70% of the total project costs.

Local Economic Development Agencies – Generally

Economic development activities at the local level are administered in several ways. Each of the counties and Baltimore City has an agency or organization that serves as the primary economic development office. Most counties use government agencies to perform this function in which the lead economic development official is appointed by and reports to the county executive or county commissioners or council. Some use an advisory board representing the business community appointed to work with the agency. Other jurisdictions rely on private or quasi-public economic development corporations or economic development commissions to direct and administer their efforts. Examples of these include the Baltimore Development Corporation and the Prince George's County Economic Development Corporation.

Local Industrial Development Authorities

Under the Economic Development Revenue Bond Act, a legislative body of a county or municipality may adopt a resolution to create an industrial development authority for certain purposes, subject to specified requirements and procedures. Eligible purposes include (1) encouraging the increase of industry and commerce and a balanced economy in the State and (2) promoting economic development. An industrial development authority is a body politic and corporate and an instrumentality of the incorporating local government, governed by a board of directors.

Except as necessary to pay debt service or implement the public purposes or programs of the incorporating local government, the net earnings of an industrial development authority may benefit only the incorporating local government and may not benefit any person. An industrial development authority may receive money from its incorporating local government, the State, other governmental units, or nonprofit organizations; charge fees; have employees; and use the services of governmental units. It may also issue bonds for certain purposes, which are deemed to be issued on behalf of the public body that established the authority.

Maryland Economic Development Corporation

MEDCO is a nonbudgeted entity created in 1984 by the General Assembly to assist business and governmental entities through ownership, financing, and development of real and personal property projects. MEDCO purchases or develops property that is leased to others and makes loans to companies throughout the State to maintain or develop facilities. MEDCO has broad powers to finance projects and most often is a conduit issuer of tax-exempt revenue bonds to an eligible tax-exempt borrower. MEDCO has also issued its bonds to finance its own projects, which it owns and operates. MEDCO-owned projects consist mostly of student housing projects. Generally, MEDCO debt is not debt of the State, and there is no implied State guaranty or State obligation to protect bondholders from losses.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority (MIDFA) promotes significant economic development by providing financing support to manufacturing, industrial, and technology businesses located in or moving to Maryland. MIDFA does not provide direct loans but insures bonds, loans, and certain other types of transactions from financial institutions. The program promotes private-sector financing by providing insurance to transactions resulting in reduced credit risks and enabling better terms. Recipients generally must pay bond issuance fees and annual premiums on insured transactions.

State Fiscal Effect:

Program Funding, Administration, and Awards

For fiscal 2026, the Governor must include in the annual budget bill an appropriation of $600.0 million to MEDAF to be used under a dedicated account established by the bill for the program. This estimate assumes that no discretionary funding is provided in fiscal 2025, but that discretionary funding may be provided in fiscal 2027 and later, after the mandated appropriation.

Commerce advises that existing MEDAAF staff can reasonably take on anticipated application activity, recognizing that all related background investigation, analysis, and underwriting will be performed by the requesting entity prior to applying for program funds. The program may provide financial assistance in the form of grants, loans, or investments – the latter two can be expected to generate additional program revenues over time.

Accordingly, general fund expenditures increase by $600.0 million in fiscal 2026. Special fund revenues for MEDAF increase correspondingly. Special fund revenues for MEDAF may increase beginning in fiscal 2027 from discretionary funding and/or loan repayments and/or investment earnings. Special fund expenditures increase beginning in fiscal 2026 for Commerce to provide financial assistance with initial program funds and other received funds. The timing and amounts of program expenditures and out-year revenues are unknown but likely significant given the size of the initial funding mandate. Provided that discretionary funding and/or loan repayments and/or investment revenues are available, program activity can be expected to continue through the bill's June 30, 2044 termination date.

Regardless, the bill requires MEDAF to choose each year between providing financial assistance for business formation/expansion or such assistance for business retention. Further, program expenditures in any one year may be, at most, $500.0 million if the financial assistance is for business formation/expansion. Otherwise, if the financial assistance is for business retention, the limit is $100.0 million in any one year.

Program Funding Recipients

Commerce advises that the scope of eligible recipients of program funding under the bill is unclear. Typically, IDAs are considered administrative in nature and are established by a state or local government to facilitate a desired outcome, such as economic development. Depending on the specifics of how it is formed, an IDA may be able to issue certain types of bonds, act as a conduit for other revenue streams, and own various types of assets.

Some quasi-State entities in Maryland, such as MEDCO and MIDFA, may be considered "industrial development agencies" under the bill and, thus, eligible to receive program funding. MEDCO, in particular, has advised that it believes itself to be eligible. There is also the potential for new IDAs to be formed by one or more local governments (including collectively) for the specific purpose of applying for program funding. Other eligible recipients include a private enterprise that otherwise meets program requirements. In any case, a "high impact development project" requires the program funding recipient to *privately* invest a minimum of $50.0 million; the extent to which general, special, federal, and nonbudgeted funds can be used to meet the requirement to "privately invest" that amount is unclear. This estimate assumes only nonbudgeted funds can be used for such purposes.

Accordingly, nonbudgeted expenditures for one or more quasi-State entities may increase by a minimum of $50.0 million per entity beginning in fiscal 2026 to provide matching funds. Special fund revenues for those same entities increase beginning in fiscal 2026 to the extent that funds are received from the program, up to $50.0 million per entity per fiscal year, as available funding allows. Special fund expenditures for those entities increase beginning in fiscal 2026 for eligible program purposes – likely not all in the same fiscal year, given anticipated project sizes.

The effect on overall funding for quasi-State entities, and on any particular quasi-State entity, is unknown, as is the source of any matching funds.

Local Fiscal Effect: Industrial development authorities formed under the Economic Development Revenue Bond Act likely qualify for funding under the bill, and other local economic development entities may also qualify, depending on their structure and purpose. Local government finances are affected in a similar manner as potential quasi-State entities discussed above. That is, one or more local industrial development authorities may receive up to $50.0 million each, per fiscal year, beginning in fiscal 2026. Local expenditures that qualify as "private investment" as determined by Commerce also increase beginning in fiscal 2026 to provide required matching funds of $50.0 million per project.

Small Business Effect: Given the size of the awards and the associated matching requirement, small businesses are likely not direct recipients of program funding; however, small businesses may benefit from the distribution of program funding for authorized purposes – those in the manufacturing and construction industries, for example.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Commerce; Maryland Economic Development Corporation; Maryland Agricultural and Resource-Based Industry Development Corporation; Maryland Stadium Authority; Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2024
km/ljm

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510