Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 861 (Senator Corderman)
Budget and Taxation and Finance

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

This bill alters the Western Maryland Economic Future Investment Program by (1) modifying the membership of the Western Maryland Economic Future Investment Board; (2) altering the purpose and eligible uses of money in the Senator George C. Edwards Fund; (3) altering project evaluation criteria; and (4) extending the requirement that the Governor include at least $10.0 million in the annual operating or capital budget to the fund through fiscal 2031. Under current law, the mandated appropriation applies from fiscal 2024 through 2026. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: No effect in FY 2026. Pay-as-you-go (PAYGO) general fund expenditures increase by at least $10.0 million annually from FY 2027 through 2030 (and in FY 2031), under the assumptions discussed below. Special fund revenues and expenditures increase correspondingly and may further increase due to loan repayments being recirculated through the program. **This bill extends an existing mandated appropriation through FY 2031.**

($ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	$0	$10.0	$10.0	$10.0	$10.0
SF Expenditure	$0	$10.0	$10.0	$10.0	$10.0
PAYGO GF exp	$0	$10.0	$10.0	$10.0	$10.0
Net Effect	$0.0	($10.0)	($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 from FY 2027 through 2030 (and in FY 2031).

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law:

General Administrative Structure

Current Law: Chapters 62 and 63 of 2022 established 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. A (council) member county or local entity within a member county may apply for funding, as specified.

The Bill: The board membership is reduced, as specified. The general administrative structure of the program is otherwise unchanged.

Fund Purpose and Eligible Uses

Current Law: The purpose of the Senator George C. Edwards Fund is to provide grants and loans for capital infrastructure projects and business development projects that improve economic conditions in the (Western Maryland) region; it may only be used for that purpose and administrative expenses.

The Bill: The purpose of the fund is to create jobs and significant economic development opportunities in the region. Money in the fund may only be used to award grants and provide loans for that purpose and administrative expenses.

Project Eligibility and Evaluation Criteria

Current Law: 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.

The Bill: The bill does not make a direct change to the basic project eligibility criteria or ongoing project monitoring requirements. However, the board evaluation criteria are modified so that the board must ensure that the project (1) creates or retains at least 25 jobs, or at least 10 jobs that pay 150% or more of the median household income for the applicable member county or (2) creates significant population growth in the county or municipality in which the project is located, as certified to the board by the applicable county commissioners.

Mandated Appropriation

Current Law: 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: From fiscal 2024 through 2031, the Governor must annually appropriate at least $10.0 million to the fund in the State operating or capital budget.

State Fiscal Effect: The bill extends a mandated appropriation that may be satisfied through the operating or capital budget through fiscal 2031, when it otherwise ends after fiscal 2026.

The General Assembly cannot mandate appropriations in the capital budget; however, the Governor may satisfy the mandated appropriation (or part of the mandated appropriation) by including general obligation bond funding in the capital budget on a discretionary basis. If the Governor chooses to satisfy all or part of the mandated appropriation through the capital budget on a discretionary basis, there is no effect on total capital expenditures, which are fixed annually by the Governor and General Assembly through the capital budget process, subject to debt affordability limits. To the extent that funds are used for this purpose, funding for other capital projects is either reduced or delayed.

In practice, $10.0 million in mandated annual funding has been provided in the operating budget. Therefore, this estimate assumes that new mandated funds are also provided in the operating budget. This estimate further assumes that discretionary funding would not otherwise be provided after fiscal 2026.

Accordingly, general fund PAYGO expenditures increase by at least $10.0 million annually from fiscal 2027 through 2030 (and in fiscal 2031). Special fund revenues and expenditures for the Senator George C. Edwards Fund increase correspondingly as funds are received and used for authorized purposes and may further increase due to loan repayments being recirculated through the program. To the extent that discretionary PAYGO general funds would have otherwise been provided, or discretionary capital funding would have been provided, the effect on the general fund is less.

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 2027 from any such funding provided due to the bill's extension of the annual $10.0 million mandated appropriation. 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 2027 and through the completion of the funded projects – although there may be a reallocation of funding due to the changes in project evaluation criteria. Other small businesses in Western Maryland may benefit from the completed projects as well.

Additional Information

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

Designated Cross File: HB 1459 (Delegate Buckel, *et al.*) - Ways and Means.

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

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km/ljm

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