



## TESTIMONY

**COMMITTEE:** House Economic Matters

**DATE:** February 24, 2026

**POSITION:** Favorable with Amendments

**BILL:** HB 506

On behalf of the Maryland Municipal League (MML), representing 161 local governments, we support House Bill 506 with amendments.

MML supports the underlying intent of HB 506 to catalyze revitalization through "Transformational Plans." We recognize the potential for these development districts to breathe new life into underutilized areas. However, as currently drafted, the bill includes a high-risk eligibility requirement that could inadvertently place municipalities in a position of significant financial vulnerability.

The League is specifically concerned with the definition of a "Transformational Plan" under Section (3), which requires that a plan **"is not economically viable without state participation."** While this language aims to ensure state funds target projects that truly need a "gap filler," it creates a dangerous paradox for local governments:

1. **Dependency on Speculative Revenue:** By definition, these projects are economically fragile. If the projected "net-new revenue" does not materialize as expected, the state's financial participation may cease or prove insufficient.
2. **Municipal Liability:** When a project is designated as "not viable" on its own merits, and the subsequent revenue is dependent solely on the project's success, the municipality is left "on the hook" for infrastructure costs and debt service if the development underperforms.
3. **Financial Distress:** This requirement forces municipalities to gamble on high-risk, high-reward projects while potentially ignoring more stable, sustainable investments that simply need a smaller boost to succeed.

MML believes the state's economic development tools should be accessible to a broader range of projects—not just those that are fundamentally non-viable without government intervention.

The League requests an amendment to Section (3) to expand the allowable uses of these funds to include "less-risky" projects. Specifically, we suggest language that allows participation in projects that are already economically sound but require state partnership to accelerate timelines, improve public infrastructure, or increase the overall community benefit (such as affordable housing or green space).

By lowering the "all-or-nothing" risk threshold, the state can support projects with a higher probability of success, thereby protecting the credit ratings and fiscal health of Maryland's cities and towns.

MML stands ready to work with the sponsor and committee to refine this definition. With the adoption of amendments to allow for more stable, diverse project types, the Maryland Municipal League would urge a **favorable report** on House Bill 506.

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For more information relating to this piece of testimony, please contact:

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