March 3, 2026

The Honorable Pamela Beidle, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: ***Letter of Information – SB 455 – Economic Development – Transformational Project Financing Program – Establishment***

Dear Chair Beidle and Members of the Committee:

The Maryland Economic Development Corporation (MEDCO) submits this Letter of Information in reference to Senate Bill 455, which is intended to establish the Transformational Project Financing Program in MEDCO to designate certain development districts as State–supported development districts providing for the eligibility and calculation of State revenue contributions into the districts.

MEDCO was established 40 years ago by the Maryland General Assembly to advance the State's strategic economic development objectives. Since then, we have issued nearly $9 billion in revenue bonds to support projects ranging from health laboratories and energy facilities to rail spurs, parking structures, student housing, SCIF facilities, and critical infrastructure for federal installations and the Port of Baltimore. FY 2026 was one of our strongest years, with more than $1 billion in revenue bond financing generating over $520 million in equity impact statewide. Our partnerships across the state have expanded significantly, contributing to a project pipeline now exceeding $11 billion in prospective investment.

There are a few areas of interest that we would like to highlight regarding the structure, clarity, and practical functionality of SB 455 - the Transformational Project Financing Program as outlined below.

The Revenue Formula Is Undefined
The bill does not define key terms such as "net-new" revenues and "attributable," making it difficult to determine which revenues could reliably be pledged. Instead, the Comptroller is directed to certify "net-new State revenue attributable to" a district without statutory guidance on how that calculation should be performed. This lack of definition leaves a central component of the financing structure dependent on administrative discretion rather than clear legislative standards. For example, the bill does not address whether income tax should be sourced based on place of residence or employment, how revenues from multi-location retailers should be apportioned, how the baseline "net-new" revenue should be established, or how double-counting across districts would be avoided.

Uncertainty Regarding Revenue Availability for Payment
The bill permits core revenue assumptions to be altered after bonds have been issued, without safeguards to protect the amounts bondholders expect to be available for repayment. This could

compromise debt-service coverage and expose the State to claims of impairment under constitutional contract protections. The bill also requires "minimum displacement adjustments" to account for economic activity that may have occurred elsewhere in Maryland; although the bill initially sets percentages, it authorizes the Comptroller to revise those percentages at least every two years based on market conditions and empirical data. This introduces uncertainty regarding both annual revenue flows and long-term bond repayment. In addition, the statute lacks commonly used protective measures, such as a freeze-in-place rule for outstanding bonds, a prohibition on retroactive adjustments, or a non-impairment covenant.

The Commitment to Transfer State Revenues is Unlimited and Unrecoverable

Under the bill, once the Comptroller certifies the revenue amounts, *all* such revenues must be transferred to the fund, without regard to what is actually needed for debt service. There is no mechanism to return unused funds to the State—either annually after debt service is paid or upon the full retirement of the bonds. This contrasts with traditional TIF structures, where local special-fund proceeds may revert to the general fund after obligations have been met, or remain available to support additional improvements.

Restrictions on Transfer Are Not Practical or Commercially Viable

The bill's transfer restrictions could create challenges for both property owners and project sponsors. Development districts may include numerous developers or a single developer with multiple parcels, yet the bill does not clarify whether the restrictions remain in place only through project completion or for a longer period. Further, there is no standard for assessing the financial capacity of a prospective transferee, which is essential for evaluating whether a transfer should be approved. These uncertainties could diminish property value and hinder a sponsoring developer's ability to exit the project in a commercially reasonable manner.

House Bill 1580, is MEDCO's Departmental bill. We believe HB1580 provides a clearer and more commercially viable framework for enhanced tax-increment financing through the creation of Maryland Enhanced TIF Districts. The bill authorizes MEDCO to issue bonds for major development projects and permits the State—upon MEDCO's recommendation—to pledge incremental sales and income tax revenues to support these financings. It is our belief that this structure offers a more reliable statutory mechanism for leveraging State revenues. MEDCO supports ongoing collaboration with the sponsors of SB 455 to advance shared development objectives while mitigating fiscal, legal, and capital-market risks.

Thank you for your consideration of this matter. Although complex, these issues are vital to Maryland's economic development future and to the many projects that MEDCO and our partners are striving to advance.

Sincerely,

J. Thomas Sadowski
CEO/Executive Director