Testimony Statement on Senate Bill 180 and House Bill 173:
Business and Economic Development – Invest Maryland Program

To the Senate Budget and Taxation Committee; and the House Ways and Means Committee
February 16, 2011

From the

- **The Tri-County Council for Southern Maryland,** representing Calvert, Charles, and St. Mary's Counties (Wayne Clark, Executive Director)
- **The Tri-County Council for Western Maryland,** representing Allegany, Garrett and Washington Counties (Leanne Mazer, Executive Director)
- **Tri-County Council for the Lower Eastern Shore,** representing Somerset, Worcester and Wicomico Counties (Michael Pennington, Executive Director)
- **The Mid-Shore Regional Council,** representing Caroline, Dorchester, and Talbot Counties (Scott Warner, Executive Director)
- **The Upper Shore Regional Council,** represent Cecil, Kent and Queen Anne's Counties (John Dillman, Executive Director)

Position: Support with Amendment

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*Invest*Maryland (SB 180 and HB 173) encourages the development of public-private partnerships to fuel venture capital investment and grow the state's knowledge-based industries, which is expected to stimulate up to $100 million in venture capital investments and to create thousands of jobs. Under the bill, insurance companies will be eligible for state issued tax credits and in turn they would invest dollars in Maryland's venture infrastructure. At least half of these investments will flow into the Maryland Venture Fund and the rest will flow into Maryland-based venture capital firms for the purposes of getting critical capital to Maryland businesses so they can create jobs and advance innovation in fields like the biosciences. Some percentage of these funds are expected to be targeted for investments in women and minority owned businesses.

Maryland's five rural regional planning and development councils – all of which were established to encourage and nurture economic development in their regions -- suggest that the vast majority of investments resulting from this legislation will be made within the urban and suburban core of the state between Baltimore and Washington, D.C., primarily because there are few, if any, venture capital outfits serving these regions. The three rural regions of the state – the Eastern Shore, Western Maryland and Southern Maryland – have an unfunded but already approved statutory solution to enable their active participation in creating jobs in high unemployment rural areas of Maryland. To help ensure that rural Maryland communities have the same economic development opportunities that other areas will have through *Invest Maryland,* we propose that the bill be amended to designate at least 25 percent of the revenues raised through *Invest Maryland* be appropriated to the Rural Maryland Prosperity Investment Fund (RMPIF). This law was enacted in 2006 because the General Assembly recognized the critical need for more state investment to expand businesses and promote job growth in our rural areas. The deteriorating economy and growing state structural deficit since 2006 is the principal reason the RMPIF has not been funded. During this great recent recession whose affects are still being felt in rural areas, our regions continue to struggle with low employment, high poverty rates and crumbling infrastructures. We ask that the legislation be amended to achieve a balanced approach to utilizing the dollars critical needed to stimulate business development and job growth across all sectors and regions of Maryland.

Background:

Currently, more than 25% of the state's population lives in the state's 18 designated rural counties located in the Western, Southern and Eastern Shore regions. Many of these communities, especially in the more remote regions, have higher rates of poverty and unemployment and lower rates of income and educational attainment than their metropolitan and suburban neighbors. Six rural Maryland counties currently qualify for the state's distressed jurisdiction economic development assistance program due to especially high unemployment rates. Many rural communities face a host of difficult challenges relating not only to persistent unemployment and poverty, but to an aging population and an out-migration of youth, an inadequate access to quality housing, health care and other services, and a deteriorating or inadequate physical infrastructure. Local governments, educational and health care institutions, and private nonprofit service providers in rural areas are struggling to respond effectively to all these growing challenges.

The Rural Maryland Prosperity Investment Fund would provide grants and business reinvestment funds to organizations, local governments, and institutions of higher education who are working in support of four specific areas:

(1) Rural regional planning and development assistance, by targeting support to the state's five rural regional planning and development councils and other multi-county economic efforts. The rural regional councils over the last six years have leveraged a modest state investment totaling about $8.4 million in operating funds to nearly $186 million in other funding sources such as federal and philanthropic funds for economic development projects and programs;

(2) Rural entrepreneurship development, including programs and activities undertaken by nonprofit organizations and institutions of higher education. Many rural economic development professionals are increasingly embracing entrepreneurship as an effective strategy for growing the tax base, expanding economic opportunities, and creating sustainable local economies in communities where citizens are typically poorer, older and more isolated from markets. Unfunded programs such as the Maryland Rural Enterprise Development Center and the Eastern Shore Entrepreneurship Center would be eligible to apply for important rural business development aid;

(3) Regional infrastructure projects that directly involve two or more units of local government, not to exceed 25 percent of the total cost of any particular project. These projects could include multi-jurisdictional water, wastewater, transportation, workforce housing, health care and commercial/ industrial facilities – the big ticket items that small communities often do not have the financial ability to address on their own; and

(4) Rural community development, programmatic assistance, and education, with funds to be divided equally between the existing Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF), which supports rural-serving agricultural and community development nonprofits, and the Rural Maryland Council, a federally recognized State Rural Development Council which functions as a statewide rural program and policy development coordination entity.

RMPIF would be administered by the Rural Maryland Council, an independent state agency which operates in a nonpartisan, collaborative, and consensus-oriented manner in providing assistance to rural communities and industries. RMPIF grants would be awarded on a competitive basis by the existing MAERDAF Interagency Grants Review Board. This Board is made up of representatives from six state agencies, including the Departments of Agriculture, Business and Economic Development, Housing and Community Development, Health and Mental Hygiene, and Natural Resources as well as the Rural Maryland Council. The MAERDAF Interagency Grants Review Board has been successfully awarding grants since 2001.

What will the impact of this economic development aid be?

RuralStat was created in 2010 to track how well the state's investment (or lack of investment) in rural areas is working by the Rural Maryland Council in partnership with Salisbury University's GEO-DASH initiative.. (See: www.rural.state.md.us/Resources/Ruralstat.swf). RuralStat uses basic quality-of-life indicators compiled from reliable state and federal sources and organizes that data to show how each rural county and rural region is doing compared to itself over time, as well as to other counties, regions and the state. By tracking these indicators annually, state officials are able to gage the impact of the economic and community development programs in rural areas. For example, according to RuralStat:

- Five of the six rural regions (10 of 18 rural counties) have consistently higher unemployment rates than the state average;
- Four of the six rural regions have a higher poverty rate than the state average. Western Maryland and two lower Eastern Shore regions have had higher poverty rates than the state average since at least 2000;

If RMPIF is appropriately and consistently funded through *Invest Maryland*, we believe these indicators will improve, resulting in a stronger, healthier, and more prosperous Rural Maryland and State of Maryland.

In conclusion, the overall objective of the Rural Maryland Prosperity Investment Fund is basically the same as that proposed in the *Invest Maryland* legislation, but targeted to rural area, i.e., create an environment for retaining and creating jobs that leads to economic prosperity. RMPIF will expand economic opportunity, build local and regional capacity, leverage or augment development funding from other sources, engender private investment in rural-serving projects and programs, and improve/protect the rural quality of life. It will also promote intergovernmental cooperation in rural regions as well as public/nonprofit collaboration on community projects and service delivery. And it will support entrepreneurial activity, help small or fledging businesses succeed and develop regional infrastructure.

For these reasons, the state's five rural regional planning and development councils, which represent 15 of the state's 18 rural counties, respectfully request that the Committee adopt its proposed amendment (attached) and approve the bill, ensuring that the *Invest Maryland* legislation stimulates economic development across the entire State of Maryland.

Attachment

TRI-COUNTY COUNCIL for SOUTHERN MARYLAND

Offered by Maryland's Five Rural Regional Development Councils
(Representing Southern Maryland, Western Maryland and the entire Eastern Shore)

Amendment to Senate Bill 180/House Bill 173 – *Business and Economic Development – Invest Maryland Program*
(First Reading File Bills)

Amendment Number 1

[Senate Bill 180] On Page 8, in line 20, strike "ALL" and insert "25% OF THE"; in line 21 following "THE" insert: "RURAL MARYLAND PROSPERITY INVESTMENT FUND ESTABLISHED UNDER SECTION 2-207 OF THE STATE FINANCE AND PROCUREMENT ARTICLE, AND 75% OF THE DESIGNATED CAPITAL SHALL BE DEPOSITED INTO THE"; and in line 23, after "ALLOCATE", insert "ITS SHARE OF THE".

[House Bill 173] On Page 8, in line 22, strike "ALL" and insert "25% OF THE"; in line 23 following "THE" insert: "RURAL MARYLAND PROSPERITY INVESTMENT FUND ESTABLISHED UNDER SECTION 2-207 OF THE STATE FINANCE AND PROCUREMENT ARTICLE, AND 75% OF THE DESIGNATED CAPITAL SHALL BE DEPOSITED INTO THE"; and in line 25, after "ALLOCATE", insert "ITS SHARE OF THE".

***Rationale for the Amendment**:*
Currently, about 25% of the State's population lives in the rural counties located in the State's Western, Southern and Eastern Shore regions. Many of these communities, especially in the outlying regions, have higher rates of poverty and unemployment and lower rates of income and educational attainment than their metropolitan and suburban neighbors. Six rural Maryland counties currently qualify for the State's distressed jurisdiction economic development assistance program due to especially high unemployment rates. Many rural communities face a host of difficult challenges relating not only to persistent unemployment and poverty, but to an aging population and an out-migration of youth, an inadequate access to quality housing, health care and other services, and a deteriorating or inadequate physical infrastructure. Local governments, educational and health care institutions, and private nonprofit service providers in rural areas are struggling to respond effectively to all these challenges.

The Rural Maryland Prosperity Investment Fund (established in 2006) would be administered by the Rural Maryland Council (RMC). Fund resources would be distributed on a competitive basis by the existing Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF) Interagency Grants Review Board. This Board is made up of representatives from several state agencies, including the Departments of Agriculture, Business and Economic Development, Housing and Community Development, Health and Mental Hygiene, and Natural Resources, as well as the RMC. The Rural Fund would make important targeted investments that benefit rural communities and business development efforts. Such investment will help build local and regional capacity, leverage available non-State funding, engender private investment in rural-serving projects and programs, and help retain and create jobs.