

Department of Legislative Services  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 137

(Senator Conway, *et al.*)

Education, Health, and Environmental Affairs

Environmental Matters

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**Rural Maryland Prosperity Investment Fund - Revisions and Extension of Termination Date**

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This bill amends findings related to the Rural Maryland Prosperity Investment Fund, extends an authorization for annual appropriations to the fund, modifies the allocation of disbursements from the fund, and extends the fund's termination date from June 30, 2020, to June 30, 2030.

The bill takes effect July 1, 2014.

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**Fiscal Summary**

**State Effect:** State finances are not directly affected in the near term. However, general fund expenditures are assumed to increase by \$3 million annually (enough for a fully functioning fund) from FY 2021 to 2030 due to the extension of the fund's termination date.

**Local Effect:** Local government finances are not affected in the near term. However, local governments, as potential grant recipients, could benefit beginning in FY 2021 from the continuation of the fund through FY 2030.

**Small Business Effect:** Potential meaningful, beginning in FY 2021.

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**Analysis**

**Bill Summary:** The General Assembly's findings in relation to the Rural Maryland Prosperity Investment Fund are amended to (1) identify health care needs as among the needs in rural Maryland that current service providers are unable to fully meet; (2) include health care programs as being among programs the fund is designed to facilitate investment in; and (3) extend the targeted date, from 2020 to 2030, to meet the

fund's objective of helping to raise the overall standard of living in rural areas to a level that meets or exceeds statewide benchmark averages.

An authorization for the Governor to include an appropriation in the budget bill for the fund each fiscal year is extended to run through fiscal 2030 rather than fiscal 2020.

Allocation of funding from the Rural Maryland Prosperity Investment Fund is modified so that one-third of appropriated funding is allocated equally to the five regional councils as grants for specified rural regional planning and development assistance. The remaining two-thirds is allocated equally as grants among (1) specified regional infrastructure projects; (2) rural entrepreneurship development; (3) rural community development, programmatic assistance, and education, divided equally between the Rural Maryland Council (RMC) and the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF); and (4) rural health care organizations.

If revenues appropriated to the fund in any fiscal year are insufficient to fully fund all grants, \$500,000 must be allocated to RMC, with \$250,000 used to support the operations of the council and \$250,000 allocated to MAERDAF. Any remaining funds must then be allocated as described above.

Money received by a regional council for rural regional planning and development assistance is used to benefit rural areas as the regional council determines.

Under the definition of "regional councils," the "Lower Eastern Shore Regional Council" is changed to the "Tri-County Council for the Lower Eastern Shore of Maryland."

The termination date of Chapter 621 of 2006, which established the fund, is extended from June 30, 2020, to June 30, 2030.

**Current Law:** The Rural Maryland Prosperity Investment Fund is administered by RMC with the assistance of the Maryland Agricultural Education and Rural Development Assistance Board. The fund's purpose is to provide funding to rural regional and statewide planning and development organizations, institutions of higher education serving rural communities, rural community development organizations, and local governments acting in partnership with one another to promote the quality of life in rural areas.

The General Assembly's findings when the fund was established included that (1) local governments, regional organizations, educational institutions, and private-sector service providers are unable to fully meet economic development, community development, and human services needs in rural Maryland; (2) the fund is designed to facilitate investment in economic and community development programs and promote regional and intergovernmental cooperation; and (3) the objective of the fund is to help raise the

overall standard of living in rural areas to a level that meets or exceeds statewide benchmark averages by 2020.

The Governor is authorized to include an appropriation in the budget bill for the fund each fiscal year through fiscal 2020.

Disbursements from the fund are allocated equally among (1) rural regional planning and development assistance, through support targeted to the regional councils serving rural areas and multicounty efforts in areas not served by the councils; (2) specified regional infrastructure projects; (3) rural entrepreneurship development; and (4) rural community development, programmatic assistance, and education, divided equally between RMC and MAERDAF.

The regional councils are (1) the Mid-Shore Regional Council; (2) the Lower Eastern Shore Regional Council; (3) the Tri-County Council for Southern Maryland; (4) the Tri-County Council for Western Maryland; and (5) the Upper Shore Regional Council.

Chapter 621 of 2006, which established the fund, terminates June 30, 2020.

**Background:** The Rural Maryland Prosperity Investment Fund has not been funded since it was established, and funds are not included in the Governor's proposed fiscal 2015 budget for the fund. The bill's modifications to the allocations of disbursements from the fund are intended to allow for the fund to be the primary or sole source of State funding for RMC, MAERDAF, and the regional councils. The priorities established by the revised allocations are intended to ensure that, with enough money appropriated to the fund, RMC, MAERDAF, and the regional councils would be able to operate and effectively serve rural Maryland along with grants being provided for regional infrastructure projects, rural entrepreneurship development, and rural health care organizations. With respect to the addition of rural health care organizations as potential grant recipients, RMC indicates there has been an increase in grant applications for funding from MAERDAF from nonprofit health care providers in rural areas.

RMC and MAERDAF have received general fund appropriations of \$167,000 each in the fiscal 2013 and 2014 State budgets. The same funding level has been included in the Governor's proposed fiscal 2015 budget. Funding through the Department of Business and Economic Development (DBED) and limited special funds have also been received by RMC and MAERDAF in recent budgets, but those are not expected to be ongoing sources of revenue. The regional councils received appropriations of \$106,900 and \$150,000 in general funds each under the fiscal 2013 and 2014 State budgets, respectively, and \$150,000 in general funds for each regional council is included in the Governor's proposed fiscal 2015 budget.

## *Rural Maryland Council*

Originally known as the Forum for Rural Maryland, RMC is a State rural development council that brings together citizens and representatives of public-sector entities and private-sector organizations to collaboratively address problems and challenges facing rural communities. For administrative and budgetary purposes, RMC is placed under the Maryland Department of Agriculture (MDA).

## *Maryland Agricultural Education and Rural Development Assistance Fund*

Chapter 552 of 2000 established MAERDAF to provide funding to rural regional planning and economic development organizations and rural community development programs as well as to augment the efforts of advanced technology centers that serve agricultural- and natural resources-based small businesses in rural areas through community colleges. MAERDAF was originally administered by the Board of Public Works and DBED, but Chapter 266 of 2003, which consolidated the State's rural capacity development programs, transferred the administration of the fund to RMC.

The Maryland Agricultural Education and Rural Development Assistance Board, which consists of representatives from DBED, MDA, the Department of Housing and Community Development, the Department of Health and Mental Hygiene, the Department of Natural Resources, and RMC, reviews grant applications and makes recommendations to RMC regarding grant recipients and amounts.

## *Regional Councils*

Five regional councils serve as regional planning and economic development agencies in Maryland: the Mid-Shore Regional Council, the Tri-County Council for the Lower Eastern Shore of Maryland, the Tri-County Council for Southern Maryland, the Tri-County Council for Western Maryland, and the Upper Shore Regional Council.

**State Fiscal Effect:** Although the bill modifies the allocation of disbursements from the fund, it does not mandate funding and does not directly affect the level of money appropriated for the fund. Thus, in the near term, State finances are not directly affected. Despite the fact that the fund has not received any funding to date, for the purposes of this fiscal and policy note, it is assumed that the extension of the termination date of the fund from June 30, 2020, to June 30, 2030, results in an annual general fund expenditure increase from fiscal 2021 through 2030 to support a fully functioning fund. Based on the intent of the bill for the fund to serve as the primary or sole source of State funding for RMC, MAERDAF, and the regional councils as well as to provide specified grants, it is assumed that \$3 million is the minimum annual amount needed for the fund to function effectively, which would be distributed, in accordance with the bill, as follows:

- \$1 million allocated equally to the five regional councils (\$200,000 each) for rural regional planning and development assistance;
- \$500,000 for regional infrastructure projects;
- \$500,000 for rural entrepreneurship development;
- \$500,000 for rural community development, programmatic assistance, and education (\$250,000 to RMC and \$250,000 to MAERDAF); and
- \$500,000 for rural health care organizations.

General fund expenditures, therefore, are assumed to increase by \$3 million annually (enough for a fully functioning fund) from fiscal 2021 to 2030 due to the extension of the fund's termination date.

**Small Business Effect:** Small businesses are not expected to be materially impacted in the near term, but may benefit from the continuation of the fund from fiscal 2021 through 2030. Small business may benefit from (1) grants for rural entrepreneurship development; (2) an increase in the demand for services or materials for infrastructure projects or MAERDAF-funded construction projects; and (3) economic development-oriented grants.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Agriculture, Department of Health and Mental Hygiene, Rural Maryland Council, Department of Legislative Services

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