Yard Waste, Food Residuals, and Other Organic Materials Diversion and Infrastructure Study (CH 384, Acts of 2017)

INTRODUCTION

Pursuant to Chapter 384, Acts of 2017, Department of the Environment – Yard Waste, Food Residuals, and Other Organic Materials Diversion and Infrastructure Study, this document reviews existing programs offered by the Maryland Department of Commerce (Commerce) and how they might be applied to encourage and support infrastructure and economic development efforts related to materials diversion. Note that there are also programs offered by the Technology Enterprise Development Corporation (TEDCO), the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO), the Maryland Energy Administration (MEA), the Department of Housing and Community Development (DHCD), and the U.S. Department of Agriculture (USDA) that may also be relevant to this study, but those programs are outside of the scope of this white paper.

ABOUT THE MARYLAND DEPARTMENT OF COMMERCE

As the state's primary economic development agency, the Maryland Department of Commerce stimulates private investment and creates jobs by attracting new businesses, encouraging the expansion and retention of existing companies, and providing workforce training and financial assistance to Maryland companies. The Department also promotes the state's many economic advantages and markets local products and services at home and abroad to spur economic development and international investment, trade, and tourism. Between 2010 and 2016, Maryland Commerce has assisted nearly 4,000 small businesses and organizations; helped create or retain 40,000 jobs, and leveraged nearly $3 billion in private investment.

MARYLAND COMMERCE’S FINANCING & INCENTIVE RESOURCES

The Maryland Department of Commerce Office of Finance Programs provides the business community with financing and incentive-based solutions for economic development projects to maximize job creation and retention, leverage capital investment, and encourage growth in targeted business sectors and specific geographic areas throughout the state. To remain competitive in the marketplace, Commerce responds quickly to changing requirements with the development of incentives that address the identifiable needs of the business community.

Financial Incentives Provide:
- Entrepreneurs with access to capital markets
- Funding of economic development efforts for local jurisdictions
- Impetus to encourage capital investments and job creation
- Employment opportunities by attracting, creating, expanding and retaining businesses

Note that Commerce, except in specific instances, only supports for-profit businesses operating within the State. Its programs are not generally intended to support non-profit or governmental activities, though there are exceptions. These exceptions are noted in the individual program descriptions below.

GEOGRAPHIC PROGRAM RESTRICTIONS

Most Commerce programs are restricted to providing assistance to businesses located within Priority Funding Areas (PFAs), as defined by State statute, the Maryland Department of Planning, and the State's 24 jurisdictions. The following areas qualify as Priority Funding Areas:

- Every Maryland municipality, as they existed in 1997;
- Areas in Maryland that are inside the Washington Beltway and the Baltimore Beltway;
- Areas that have been designated as Enterprise Zones, neighborhood revitalization areas, Heritage Areas and existing industrial land;
- Other designated areas nominated by counties that meet certain guidelines.

Depending upon the program, many business operations located outside of a PFA may not be eligible for assistance through Commerce. Businesses should check with other State or Federal agencies to see if assistance is available through their programs.

In addition, there are certain programs that are tied to geographic areas, and only businesses located within those areas are eligible to obtain assistance from them. Examples are the Maryland Enterprise Zone Program and the Regional Institution Strategic Enterprise (RISE) Zone Program.

BUSINESS ACTIVITY PROGRAM RESTRICTIONS

Most Commerce programs are restricted to providing assistance to businesses operating in certain industries or who are engaged in certain activities. Some programs are highly restrictive, while others have broader application. Examples of program restrictions are:

- Line of business or NAICS code
- Business activity, such as research and development
- Workforce training
- Hiring new employees
- Capital investment in buildings or equipment

Some programs have few restrictions other than the creation of a minimum number of jobs, while others are highly targeted to certain industries or activities.

SMALL BUSINESS ASSISTANCE

The Maryland Department of Commerce offers multiple programs that support small business creation and growth.

Maryland Small Business Development Financing Authority (MSBDFA)
Economic Development Article §5-501 to 5-575

The Maryland Small Business Development Financing Authority (MSBDFA) was created by the General Assembly in 1978. This program promotes the viability and expansion of businesses owned by economically and socially disadvantaged entrepreneurs. MSBDFA assists small businesses unable to obtain adequate business financing on reasonable terms through normal financing channels. Meridian Management Group, a private contractor, manages the program's four components and Commerce provides financing for the approved small businesses. The four components are:

- *Contract Financing Program* – Provides loan guarantees and direct working capital and equipment loans to socially or economically disadvantaged businesses awarded contracts mainly funded by government agencies and/or public utilities.
- *Equity Participation Investment Program* – Provides direct loans, equity investments, and loan guarantees to small businesses.
- *Long-Term Guaranty Program* – Provides loan guarantees and interest rate subsidies.
- *Surety Bonding Program* – Assists small businesses in obtaining bonding primarily for government or public utilities contracts that require bid, performance, and payment bonds.

Geographic Restrictions: The MSBDFA program is restricted to businesses that operate within Priority Funding Areas.

Business Activity Restrictions: The MSBDFA program has no activity restrictions other than proof that a business is owned by economically and socially disadvantaged entrepreneurs.

Relevance to Study: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

Small, Minority and Women-Owned Business Account—Video Lottery Terminal Fund (VLT)
Economic Development Article §5–1501; State Government Article §9-1A-27

Article XIX of the Maryland Constitution authorized video lottery terminals (VLTs) to contribute towards funding education. This provision was enacted pursuant to Chapter 5, Acts of the 2007 Special Session and ratified by Maryland voters in the November 2008 General Election. As a result, Chapter 4, Acts of the 2007 Special Session also became effective and established the Small, Minority, and Women-Owned Businesses Account (the Account) under the Authority of the Board of Public Works (BPW). This law requires that 1.5 percent of VLT proceeds be paid into the Account to be used to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State. In 2017, the authority to operate the Fund was transferred to the Department of Commerce.

The State's VLT fund uses proceeds from Maryland's casinos to assist small, minority, and women-owned businesses located in targeted areas surrounding six Maryland casinos: Maryland Live in Anne Arundel County, Hollywood Casino Perryville in Cecil County, Rocky Gap in Allegany County, Ocean Downs in Worcester County, MGM National Harbor in Prince George's County, and Horseshoe Casino in Baltimore City. At least 50% of the VLT allocations support small, minority and women-owned businesses located within a 10-mile radius of the casinos. The other 50% is available to small, minority and women-owned businesses located throughout Maryland.

In FY 2017, there were eight designated fund managers that received funds for the purpose of making loans to small, minority, and women-owned businesses in the State:

- Anne Arundel Economic Development Corporation (AAEDC)
- Baltimore County Department of Economic and Workforce Development
- Baltimore Development Corporation (BDC)
- FSC First Prince George's
- Howard County Economic Development Authority
- Maryland Capital Enterprises Inc. (MCE)
- Meridian Management Group, Inc. (MMG)
- Tri County Council for Western Maryland

Geographic Restrictions: The VLT program prioritizes businesses located within a 10-mile radius of one of Maryland's casinos, but offers funding to businesses throughout the State. However, funding is restricted to businesses that operate within Priority Funding Areas.

Business Activity Restrictions: The VLT program has no activity restrictions other than proof that a business is a small, minority, or women-owned business.

Relevance to Study: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

Military Personnel and Veteran-Owned Small Business No-Interest Loan Program (MPVSBLP)
Economic Development Article §5-1001 to 5-1007

The Military Personnel and Veteran-Owned Small Business No-Interest Loan Program (MPVSBLP) was enacted originally in 2006 to assist with costs that result from the call to active duty for businesses owned by military reservists and National Guard members and for small businesses that employ such persons. In the 2013 legislative session, the Maryland General Assembly approved Chapter 105, which altered the name and expanded eligibility for participation in the program to include all veteran-owned small businesses. The change eliminated the requirement for a veteran to have a service-related disability to use the program.

MPVSBLP provides no-interest loans of up to $50,000, from one to eight years, for businesses owned by military reservists, veterans, National Guard personnel and for small businesses that employ or are owned by such persons.

Geographic Restrictions: The MPVSBLP program restricts funding to businesses that operate within Priority Funding Areas.

Business Activity Restrictions: The MPVSBLP program has no activity restrictions other than proof that the loan is going to a small business owned by military reservists, veterans, National Guard personnel, or is a small business that employs or is owned by such persons.

Relevance to Study: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

Maryland Economic Adjustment Fund (MEAF)
Economic Development Article §5-201 to 5-209

The Maryland Economic Adjustment Fund (MEAF) was established in 1994 as a revolving loan fund to assist companies experiencing dislocation due to defense adjustments. MEAF is supported by funds from the U.S. Economic Development Administration and the State.

Funding assistance through MEAF assists small businesses with upgrading manufacturing operations, developing commercial applications for technology, or entering into and competing in new economic markets. Eligible businesses include manufacturers, wholesalers, service companies, and skilled trades.

Geographic Restrictions: The MEAF program restricts funding to businesses that operate within Priority Funding Areas.

Business Activity Restrictions: The MEAF program is restricted to companies involved in manufacturing, wholesale, certain services, and skilled trades. Funds can only be used for working capital machinery and equipment, building renovations, real estate acquisitions, or site improvements.

Relevance to Study: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

ECONOMIC DEVELOPMENT INCENTIVES

Maryland Economic Development Assistance Authority and Fund (MEDAAF)
Economic Development Article §5-301 to 5-349

The Maryland Economic Development Assistance Authority and Fund (MEDAAF) is the primary economic development finance tool offered by the Department. MEDAAF was enacted in 1999 to provide below market, fixed-rate financing to growth industry sector businesses locating or expanding in priority funding areas of the State. The MEDAAF program is administered under five capabilities that address appropriate economic development opportunities for both the business community and political jurisdictions as follows:

- MEDAAF Capability 1 - Significant Strategic Economic Development Opportunities
- MEDAAF Capability 2 - Local Economic Development Opportunities
- MEDAAF Capability 3 - Direct Assistance to Local Jurisdictions or MEDCO
- MEDAAF Capability 4 - Regional or Local Revolving Loan Funds
- MEDAAF Capability 5 - Special Purpose Grants and Loans/Brownfields

The primary job creation capabilities are MEDAAF-1 and 2. MEDAAF-3 provides direct assistance to local jurisdictions for economic development projects and MEDAAF-4 provides funding to local governments to create revolving loan funds to assist small businesses. MEDAAF-5 has several special purposes including day care facility finance, Arts and Entertainment Districts, and brownfield remediation.

MEDAAF Capability 1 - Significant Strategic Economic Development Opportunities
Projects under this capability are normally regarded as producing significant economic development opportunities on a Statewide or regional level. Assistance is provided directly to businesses or through the Maryland Economic Development Corporation (MEDCO) in the form of a loan. The maximum assistance under this capability cannot exceed the lesser of $10,000,000 or 20 percent of the current fund balance.

MEDAAF Capability 2 - Local Economic Development Opportunities
Capability 2 of MEDAAF provides assistance in the form of a loan, a conditional loan, investment, or a grant directly to a business or to MEDCO for use in the project. All assistance

under this capability must be endorsed through a formal resolution by the governing body of the jurisdiction in which the project is located. In addition, the local jurisdiction must participate in an amount equal to at least 10 percent of the total assistance. Funds may be used for land acquisition, infrastructure improvements, buildings, fixed assets, and leasehold improvements.

MEDAAF Capability 3 - Direct Assistance to Local Jurisdictions or MEDCO
Capability 3 of MEDAAF provides assistance directly to a local jurisdiction or MEDCO for local economic development needs including feasibility studies, economic development strategic plans, and infrastructure. Funds may be used for buildings, infrastructure improvements, fixed assets, and leasehold improvements. All assistance under this capability must be endorsed through a formal resolution by the governing body of the jurisdiction in which the project is located. Assistance provided may be in the form of a loan, a conditional loan, investment, or a grant.

MEDAAF Capability 4 - Regional or Local Revolving Loan Funds
Capability 4 of MEDAAF provides assistance to local jurisdictions to help capitalize local economic development revolving loan funds. The typical revolving loan fund client is a small business that may be in an industry sector, such as retail service, that is not otherwise eligible for assistance. The final recipient of financing is determined by the local jurisdiction. Jurisdictions may receive funding of up to $250,000 annually. To qualify for funding, local jurisdictions must provide acceptable matching funds into the designated revolving loan fund.

MEDAAF Capability 5 - Special Purpose Grants and Loans
This capability contains targeted programs for specialty initiatives that at one time had been deemed critical to the State's economic health and development by the General Assembly. These specialty programs may be exempt from local participation and certain other MEDAAF requirements. The special purpose initiatives include Brownfields, Seafood and Aquaculture, Animal Waste, Day Care, and Arts and Entertainment. The funds do not have a direct job creation component.

<u>Geographic Restrictions</u>: The MEDAAF program restricts funding to businesses that operate within Priority Funding Areas.

<u>Business Activity Restrictions</u>: The MEDAAF program has multiple components and is very complex. Businesses can receive direct assistance, local governments can receive funding for their revolving loan funds, jurisdictions can receive direct funding for certain activities, and special programs can receive assistance.

<u>Relevance to Study</u>:

- Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they are located within a PFA.

- Any jurisdiction can apply for assistance with land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70% of the cost of a feasibility study and up to 50% of the cost of preparing a local economic development strategic plan. Any of these activities may be related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion.
- Revolving loan funds may be used to support business engaged in the activities under study, depending on the rules of each fund.

Economic Development Opportunities Program Fund (Sunny Day)
State Finance and Procurement Article §7-314

The Economic Development Opportunities Program Fund, known as Sunny Day, was enacted in 1988 to enable Maryland to act on extraordinary economic development proposals that required financial assistance beyond the capabilities of other state and local financing programs. The Sunny Day fund supports extraordinary economic development opportunities that create and retain employment as well as create significant capital investments. Projects must generate significant jobs in areas of high unemployment; they are evaluated on a competitive basis. Participants must provide a minimum capital investment of at least five times the amount of the Sunny Day assistance.

<u>Geographic Restrictions</u>: The Sunny Day program restricts funding to businesses that have investments within areas of high unemployment. In addition, these investments are expected to occur within Priority Funding Areas.

<u>Business Activity Restrictions</u>: The Sunny Day program is restricted to companies that are creating “extraordinary” economic development opportunities and “significant” capital investments.

<u>Relevance to Study</u>: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they are considered an extraordinary economic development opportunity and meet the geographic and business activity restrictions.

Partnership for Workforce Quality (PWQ)
Economic Development Article §3-401 to 3-412

The Partnership for Workforce Quality (PWQ) is an incumbent worker training program established by the Maryland General Assembly in 1989 and administered by the Maryland Department of Commerce. PWQ was developed to encourage Maryland companies, especially manufacturing and technology companies, to invest in incumbent worker training for job-specific skills to upgrade or retain full-time, Maryland-based employees.

PWQ provides matching training grants and support services targeted to improve the competitive position of small and mid-sized manufacturing and technology companies. Grants are used to increase the skills of existing workers for new technologies and production processes, improve employee productivity, and increase employment stability. Matching grant funds are used to reimburse up to 50% of the costs of qualified projects.

Applicants must be a Maryland employer, may not be in arrears with any State taxing agency, and not be in default with any Commerce program. Applicants should have a minimum of 10 full-time employees. At least 60% of available funds must be awarded to employers with 150 or fewer employees in the State. The Program encourages the participation of small and minority-owned businesses.

Priority will be given to manufacturing and technology companies. In areas of the State where regionally important industries have been identified beyond manufacturing and technology, justification should be provided to approve PWQ funding.

<u>Geographic Restrictions</u>: The PWQ program restricts funding to businesses located within Priority Funding Areas.

<u>Business Activity Restrictions</u>: The PWQ program is restricted to companies that wish to offer incumbent worker training and have at least 10 full-time employees. Preference is given to manufacturing and technology companies.

<u>Relevance to Study</u>: Any business engaged in manufacturing or technology-related activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion may be eligible for this program. In addition, “regionally important industries” other than manufacturing or technology firms, may also be eligible.

CREDIT ENHANCEMENTS

Maryland Industrial Development Financing Authority (MIDFA)
Economic Development Article §5-401 to 5-466

The Maryland Industrial Development Financing Authority (MIDFA) was established by the Maryland General Assembly in 1965 to promote significant economic development by providing financing support to manufacturing, industrial, and technology businesses located in or moving to Maryland. MIDFA encourages private sector investments through the use of insurance, the issuance of tax-exempt and taxable revenue bonds and linked deposits, which reduces a lender’s risk and increases access to capital for small and mid-sized companies. The Program has increased its commitment to growth and development of small business by increasing outreach efforts to community banks. The Fund does not provide direct loans, but provides insurance to transactions resulting in reduced credit risks, and enabling better terms from private financial institutions.

MIDFA offers two types of support: Credit insurance and private activity revenue bonds.

Credit Insurance
- Bond Program: Insures bonds up to 100% not to exceed $7.5 million of taxable or tax-exempt bonds.
- Conventional Program: Insures up to 80% not to exceed $2.5 million of a transaction made by a financial institution. Export transactions may be insured up to 90%.

Private Activity Revenue Bonds
- Taxable Bond: Provides access to long-term capital markets primarily for fixed asset financing.
- Tax-Exempt Bond: Provides access to long-term capital markets for fixed asset financing at tax-exempt rates. Eligibility is limited by Federal tax law to 501(c)(3) non-profit organizations, manufacturing facilities and certain solid waste projects. Additional limitations apply to the specific transaction type.

<u>Geographic Restrictions</u>: The MIDFA program restricts funding to businesses that operate within Priority Funding Areas.

<u>Business Activity Restrictions</u>: The MIDFA program is restricted to providing financing support to manufacturing, industrial, and technology businesses located in or moving to Maryland. The Fund does not provide direct loans, but provides insurance to transactions resulting in reduced credit risks, and enabling better terms from private financial institutions.

<u>Relevance to Study</u>: Any business engaged in any manufacturing, industrial, or technology-related activities involving the diversion of yard waste, food residuals, or other organic materials or the creation of infrastructure related to these activities AND who is seeking a loan from a private institution is eligible for this program as long as they meet the geographic and business activity restrictions.

TAX INCENTIVES

Biotechnology Investment Incentive Tax Credit (BIITC)
Tax General Article §10-725

Maryland's Biotechnology Investment Incentive Tax Credit (BIITC) program provides income tax credits for investors that invest in Qualified Maryland Biotechnology Companies (QMBCs). This tax credit program was enacted in 2005 to offer incentives for investment in seed and early stage, privately-held biotech companies. The value of the credit is equal to 50% of an eligible investment made in a QMBC during the taxable year. The maximum amount of the credit cannot exceed $250,000 for investors. If the credit exceeds the tax liability, the remaining credit is refundable. The program has a cap and credits are awarded on a first-come, first-served basis.

Geographic Restrictions: The BIITC program restricts funding to businesses that operate within Maryland.

Business Activity Restrictions: The BIITC program is restricted to providing tax credits to investors in companies involved in certain qualifying biotechnology activities.

Relevance to Study: Any business engaged in any qualifying biotechnology activities that could be applied to the processing or transformation of yard waste, food residuals, or other organic materials may be eligible for this program as long as they meet the geographic and business activity restrictions.

Brownfields Revitalization Incentive Program (BRIP)
Tax Property Article §9-229 and 14-902

A site that qualifies for this incentive program may also qualify for real property tax credits. The site must be located in a jurisdiction that participates in the BRIP, and be owned by an inculpable person. For five years after cleanup, a site may qualify for a real property tax credit between 50% and 70% of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years). This credit, combined with other real property tax credits, may not exceed 100% of the tax on the increased value of the site.

Geographic Restrictions: The BRIP program restricts funding to brownfields sites that are located within jurisdictions that participate in the program.

Business Activity Restrictions: The BRIP program is restricted to property that is an eligible brownfields site that is owned by an inculpable person or a property where there is a release, discharge, or threatened release of oil so long as the property is not owned by the person responsible for the discharge.

Relevance to Study: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion that may wish to set up operations on an existing brownfields site may be eligible for this program as long as they meet the geographic and business activity restrictions.

Enterprise Zone Tax Credit
Tax General Article §10-702 and Tax Property Article §9-103

Maryland's Enterprise Zone Tax Credit Program is a joint effort between the State and local governments to provide tax incentives to businesses and property owners located in some of the State's most economically distressed communities. The Program was created in 1982 with two enterprise zones (EZs) in two jurisdictions. As of December 2017, there are 36 EZs across the State, along with four Focus Areas in Baltimore City and Prince George's County. There are currently seven State-designated zones in Western Maryland, 15 on the Eastern Shore, seven in Southern and Suburban Maryland, and seven in Central Maryland.

The Enterprise Zone program provides real property and state income tax credits for businesses located in a Maryland enterprise zone. The real property tax credit is 80% of the incremental increase in property taxes over the first five years, decreasing 10% annually during the next five years. The income tax credit is a $1,000 credit per new employee. For economically disadvantaged employees, the credit increases to $6,000 per new employee over three years. Enhanced credits for both property and income tax credits are available in Enterprise Zone Focus Areas.

<u>Geographic Restrictions</u>: The Enterprise Zone program restricts funding to businesses and property developers that operate within established enterprise zones.

<u>Business Activity Restrictions</u>: In order for a business to qualify for the Enterprise Zone property tax credit, it must meet all state and local eligibility requirements. To be qualified the business must satisfy one of the two specific statutory requirements, which are that the business must either (1) make and investment in capital improvements, or (2) hire new employees. The business must contact the local enterprise zone administrator regarding the local eligibility requirements because the local eligibility requirements vary by the enterprise zone.

<u>Relevance to Study</u>: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for the Enterprise Zone program as long as they meet the geographic and business activity restrictions.

Job Creation Tax Credit (JCTC)
Economic Development Article §6-301 to 6-309

The Job Creation Tax Credit (JCTC) was enacted in 1996 to encourage businesses to create new jobs in Maryland. The credit is available Statewide, but lower job thresholds and increased credits are available in targeted areas. The credits are available for full-time jobs paying at least 150 percent of federal minimum wage in targeted industry sectors. The JCTC is available anywhere in the State in a variety of targeted industry sectors.

Businesses that create a minimum number of new full-time positions may be entitled to state income tax credits of up to $3,000 per job or up to $5,000 per job in a "revitalization area." Businesses engaged in an eligible activity must create at least 60 new full-time jobs in a 24-month period; this is reduced to 30 new full-time jobs if they are high-wage jobs, and reduced to 25 new full-time jobs if they are located in a Job Creation Tax Credit Priority Funding Area. In counties with (1) annual average employment less than 75,000 or (2) median household income less than two thirds of the statewide median household income, the minimum requirement is reduced to 10 jobs.

A business may not claim more than $1 million in a credit year. The program is capped at $4 million in tax credits in a calendar year. Credits are certified on a first-come, first-served basis based on when the Maryland Department of Commerce (Commerce) receives the final application and the availability of credits. Unused credits may be carried forward for five years.

A business may qualify for the JCTC program if it is primarily engaged in:

- manufacturing or mining;
- transportation or communications;
- agriculture, forestry, or fishing;
- research, development, or testing;
- biotechnology;
- computer programming, information technology, or other computer–related services;
- central services for a business entity engaged in financial services, real estate services, or insurance services;
- the operation of central administrative offices;
- the operation of a company headquarters other than the headquarters of a professional sports organization;
- the operation of a public utility;
- warehousing;
- business services, if the business facility established or expanded is located in a State priority funding area

<u>Geographic Restrictions</u>: The JCTC program offers greater benefits to businesses that operate within Priority Funding Areas as defined in the JCTC statute. The JCTC PFA definition differs slightly from the definition used for other programs. Businesses located outside of a JCTC-defined PFA have higher job creation requirements.

<u>Business Activity Restrictions</u>: The JCTC program is restricted to companies involved in certain activities listed above, and creating a minimum number of jobs as required by the geographic area in which it is located.

<u>Relevance to Study</u>: Any business engaged in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

More Jobs for Marylanders Incentive Program for Manufacturers (MJM)
Economic Development Article §6-801 to 6-809

The More Jobs for Marylanders (MJM) program was created in 2017 to promote the growth of manufacturing in Maryland by providing tax incentives for manufacturing job creation, encouraging manufacturers to invest in new equipment through accelerated and bonus depreciation, and funding job training and apprenticeship programs to help strengthen Maryland's manufacturing workforce. Tax credits are available to new and existing manufactures that locate or expand in Maryland and create new manufacturing jobs. New and existing manufacturers located in a Tier 1 or Tier 2 county may qualify for the following credits, available for a 10-year benefit period:

- TIER 1 NEW BUSINESS: (a) a refundable credit against the State's income; (b) a credit against the State's portion of the property tax; (c) a refund of sales and use tax; and (d) a waiver of fees charged by SDAT.
- TIER 1 EXISTING BUSINESS: A refundable credit against the State's income tax.
- TIER 2 EXISTING BUSINESS: A refundable credit against the State's income tax.

Tier 1 Counties include Baltimore City and Allegany, Baltimore, Dorchester, Prince George's Somerset, Washington, and Worcester counties. Tier 2 Counties include all other Maryland counties.

As of July 1, 2018 Caroline, Garrett, Kent, and Wicomico Counties will also qualify as Tier 1 counties.

To qualify for the MJM program, a business must:

- Be a manufacturer primarily engaged in activities that according to the North American Industrial Classification System (NAICS), would be included in Sector 31, 32, or 33, except for Refiners.
- Offer ongoing job training or a postsecondary education program (e.g. tuition reimbursement).
- New or existing manufacturers in Tier 1 counties must create at least 5 new qualified jobs. (A qualified job is a job that is full-time, pays at least 120% of State minimum wage and is filled for 12 months.)
- Existing manufacturers in Tier 2 counties must create at least 10 new qualified jobs.

Businesses can enroll their project in the program and be certified as a Qualified Business Entity until June 1, 2020. Businesses who have been certified to receive benefits under the program will receive for the full 10-year duration, subject to appropriation. If during the 10-year benefit period, the number of new qualified positions falls below the number the business received credit for in the first benefit year, the project will removed from the program and all benefits will be terminated.

Geographic Restrictions: The MJM program restricts funding to Maryland-based businesses.

Business Activity Restrictions: The MJM program is restricted to companies that are involved in manufacturing activities (NAICS 31-33), except for refiners. Manufacturers in Tier 1 counties must create at least 5 new jobs, while those in Tier 2 counties must create at least 10 new jobs.

Relevance to Study: Any new or existing manufacturing business operating in business areas related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

One Maryland Tax Credit
Economic Development Article §6-401 to 6-407

The One Maryland Tax Credit (OneMD) was enacted in 1999 to promote job creation and investment in qualified distressed communities, those counties with high unemployment, and low per capita income compared to the rest of Maryland. To qualify for the credits, the business must create at least 25 new jobs and make capital expenditures. The jobs must be full-time, pay at least 150 percent of federal minimum wage, and the business must be in a targeted industry sector.

Businesses that invest in an economic development project in a "qualified distressed county" and create at least 25 new full-time jobs may qualify for up to $5.5 million in state income tax credits. Project tax credits of up to $5 million are based on qualifying costs incurred in connection with the acquisition, construction, rehabilitation, and installation of a project. Startup tax credits of up to $500,000 are available for the expense of moving a business from outside Maryland and for the costs of furnishing and equipping the new location. The credit can be carried forward 14 years and is refundable, subject to certain limitations. As of July 1, 2018, no business may claim both the One Maryland Tax Credit and Job Creation Tax Credit in the same tax year.

Geographic Restrictions: The One Maryland program restricts funding to businesses that operate within Priority Funding Areas located within certain designated "qualified distressed counties." As of July 1, 2018, these jurisdictions are Baltimore City and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, and Worcester counties.

Business Activity Restrictions: The One Maryland program is restricted to companies that conduct or operate a trade or business in Maryland or are an organization operating in Maryland that is exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, and are expanding employment and investing at least the minimum amount of money required by statute.

Relevance to Study: Any business making a large investment in facilities and new employment in any activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the geographic and business activity restrictions.

Research and Development Tax Credit
Tax General Article 10-721

The Research and Development Tax Credit (R&D Tax Credit) was enacted in 2000 to encourage businesses to maintain and increase R&D expenditures in the State. The R&D tax credit is not a tax credit that specifically targets job creation although it likely supports the increase in R&D jobs in the State.

For Maryland businesses that incur Maryland qualified research and development expenses, the Basic R&D tax credit is the lesser of 3% of eligible R&D expenses or 3% of the Maryland Base Amount. The Growth R&D tax credit is 10% of eligible R&D expenses in excess of the Maryland Base Amount. The credits are capped at $4.5 million each annually. If the amount of credits all businesses apply for exceeds the cap, each business receives its pro rata share. R&D tax credits certified after December 15, 2012 are refundable for a “small business” if the tax credits exceed the income tax liability. Businesses must submit an application to the Maryland Department of Commerce by September 15 for expenses incurred in the previous tax year.

Geographic Restrictions: There are no geographic restrictions other than the requirement that the eligible R&D activities take place within the State of Maryland.

Business Activity Restrictions: The R&D Tax Credit program is restricted to companies involved in R&D activities, as defined by the Federal definition of qualified R&D and qualified R&D expenses. To qualify the business must incur Qualified Research and Development Expenses, as defined by § 41(b) of the Internal Revenue Code in Maryland.

Relevance to Study: Any business engaged in qualified Research and Development activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they are located in and perform their R&D within Maryland.

Regional Institution Strategic Enterprise (RISE) Zone Program
Economic Development Article *§5-1401 to 5-1407*

A RISE Zone is a geographic area that has a strong connection with a qualified institution and is targeted for increased economic and community development.

Qualified institutions include institutions of higher education, regional higher education centers, or non-profits affiliated with a federal agency. The purpose of the RISE Zone program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within the zone.

A RISE Zone designation is in effect for 5 years, with a possible additional 5-year renewal. Counties and municipalities are limited to a maximum of three RISE Zones. Current RISE Zones are located in Baltimore City and in Baltimore and Prince George's counties.

Businesses locating in a RISE Zone or an existing business doing a significant expansion within the Zone, may qualify for real property tax credits and income tax credits related to capital investment and job creation.

The designation of a RISE Zone requires a two-step process. Institutions must first apply to Commerce to be designated a Qualified Institution. Qualified Institutions applying to Commerce to designate a RISE Zone shall jointly apply with a county, municipality, or the economic development agency of a county or municipality to designate a RISE Zone.

Geographic Restrictions: All eligible business activities must occur within an established RISE Zone.

Business Activity Restrictions: The RISE Zone program is restricted to companies who have business or research connections to qualified RISE Zone institutions.

Relevance to Study: Any business linked to a qualified RISE Zone institution and operating within a RISE Zone who is engaged in activities related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion may be eligible for this program.

Wineries and Vineyards Tax Credit
Tax General Article 10-735

The Maryland Wineries and Vineyards Tax Credit program was enacted in 2012 for qualified capital expenses related to a Maryland winery or vineyard. The credit is equal to 25 percent of qualified capital expenses made in connection with the establishment of new wineries or vineyards, or capital improvements made to existing wineries or vineyards in Maryland. Total credits granted may not exceed $500,000 in a year. If the total amount of credits applied for exceeds $500,000, the credit is prorated among the certified applicants.

Qualified applicants are eligible for an income tax credit of 25% of qualified capital expenses made in connection with the establishment of new wineries or vineyards, or the capital improvements made to existing wineries or vineyards in Maryland. The credit to all businesses is limited to $500,000 for each calendar year. If the amount that all businesses apply for exceeds this cap, the credit will be prorated.

Geographic Restrictions: The Wineries and Vineyards Tax Credit program restricts funding to wineries located in Maryland on agricultural lands of at least one acre.

Business Activity Restrictions: The Wineries and Vineyards Tax Credit program is restricted to qualified wineries as defined by the Comptroller of Maryland as either a Class 3 or Class 4 winery. A qualified vineyard is defined as agricultural lands located in Maryland consisting of at least one contiguous acre used solely to grow grapes and other plants that will be used in the production of wine by a winery licensed by the Comptroller of Maryland.

Relevance to Study: The list of qualified expenses that can be claimed under this program does not include activities or equipment related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion.

OTHER FINANCING RESOURCES

Community Development Block Grant (CDBG)

CDBG assists local governments in implementing commercial and industrial economic development projects. Approved program funds are disbursed to eligible local jurisdictions as conditional grants and used for public improvements for business startup or expansion, or for business loans. Projects must create jobs with the majority targeted to individuals of low to moderate income, or eliminate blight conditions that impede commercial and industrial development. Fund uses include acquiring fixed assets, infrastructure, and feasibility studies.

CDBG is a Federally funded program that that provides communities with resources to address a wide range of unique community development needs. Funds are allocated to States and Small Cities based on poverty and population statistics. Maryland’s CDBG program is administered jointly by DHCD and Commerce. Approximately 25 percent of the State’s annual CDBG award is allocated to Commerce for job creation. Under federal guidelines, the assistance must be targeted to low and moderate-income citizens in non-urban areas of the State. Commerce’s strategy for use of CDBG funds emphasizes support of local government economic development initiatives that encourage commercial and industrial growth, workforce training, commercial revitalization, and development and growth of small businesses. Funds are disbursed to local jurisdictions in the form of a conditional grant. The local jurisdiction may lend the funds to a commercial enterprise or directly use the funds for infrastructure improvements needed by businesses or other eligible projects. Eligible projects include revolving loan funds that serve the needs of local businesses.

Geographic Restrictions: The CDBG program restricts funding to businesses who operate within Priority Funding Areas in non-urban areas of the State.

Business Activity Restrictions: The CDBG program is restricted to activities that are targeted to low and moderate-income citizens. CDBG funds are not provided directly from Commerce to an eligible business, but are instead provided to a local government who makes the final determination of funding eligibility.

Relevance to Study: Any local government who is eligible for CDBG funding through the Department of Commerce may use this funding to support local businesses in non-urban areas, as long as that assistance is targeted to low- and moderate-income citizens.

ExportMD

The ExportMD grant program helps to offset some of the costs of marketing internationally for Maryland's small and mid-sized companies. Maryland companies that receive an ExportMD Award are eligible for up to $5,000 in reimbursement for expenses associated with an international marketing project and can also receive up to 40 hours of assistance from the Department's trade experts located in nine countries around the globe. Eligible expenses include those related to an international marketing initiative including trade show fees, airfare, translation of brochures, and web site development. These activities may result in additional contracts and increased sales, which lead to increased employment.

Geographic Restrictions: Only Maryland-based companies are eligible for ExportMD grants.

Business Activity Restrictions: The ExportMD program is restricted to companies involved in the export of goods or services.

Relevance to Study: Any Maryland business creating a good or service that is exportable and is related to yard waste, food residuals, or other organic materials diversion or infrastructure creation or expansion is eligible for this program as long as they meet the program's business activity restrictions.

Appendix A: Table of Relevant Maryland Department of Commerce Incentive Programs

Funding Program Name	Type	Category	Details
Maryland Small Business Development Fund Authority (MSBDFA)	Bond, Contract Finance, Investment, Loan Guarantee	Small Business, Minority, Women-Owned Business	Assists small businesses unable to obtain adequate business financing on reasonable terms through normal financing channels by providing loan guarantees. View Program
Maryland Industrial Development Financing Authority (MIDFA)	Bond, Loan Guarantee	Location-Based, For Lending Institutions	Encourages private sector investments with insurance, and the issuance of tax-exempt and taxable revenue bonds for projects located in Priority Funding Areas. Uses include land acquisition, building acquisition, construction costs and more. View Program
Community Development Block Grant (CDBG)	Grant	Economic Development Partners	Provides funding to commercial and industrial economic development projects. Funds are dispersed to a local jurisdiction in the form of a conditional grant and then used for public improvements or loaned to a business. View Program
ExportMD Program	Grant	International, Startup, Small Business	Helps to offset some of the costs of marketing internationally for Maryland's small and mid-sized companies, providing up to $5,000 in reimbursement for expenses associated with an international marketing project. View Program
Partnership for Workforce Quality (PWQ)	Grant	Technology, Manufacturing	Provides matching training grants and support services targeted to improve the competitive position of small and mid-sized manufacturing and technology companies. View Program

Funding Program Name	Type	Category	Details
Economic Development Opportunities Fund (Sunny Day)	Grant, Investment, Loan	Job Creation	Supports extraordinary economic development opportunities that create and retain employment as well as create significant capital investments._ View Program
Maryland Economic Development Assistance Authority Fund (MEDAAF)	Grant, Investment, Loan	Location-Based, General, Economic Development Partners	Funds grants, loans and investments to support economic development initiatives in priority funding areas of the state. Uses include business attraction and retention, infrastructure support, brownfield redevelopment, A&E districts, daycare, revolving loan funds and local strategic planning. View Program
Maryland Economic Adjustment Fund (MEAF)	Grant, Loan	Small Business, Manufacturing	Assists business entities in the state with modernization of manufacturing operations, development of commercial applications for technology, and exploring and entering new markets._ View Program
Military Personnel and Veteran-Owned Small Business Loan Program	Loan	Veteran/Military	No interest loans of up to $50,000 for businesses owned by military reservists, veterans, National Guard personnel and for small businesses that employ or are owned by such persons. View Program
Small, Minority and Women-Owned Business Account- Video Lottery Terminal Fund (VLT)	Loan	Small Business, Minority, Women-Owned Business	Uses proceeds from video lottery terminals (slots) to assist small, minority and women-owned businesses located in targeted areas surrounding six Maryland casinos. View Program

Funding Program Name	Type	Category	Details
Biotechnology Investment Incentive Tax Credit	Tax Credit	Biotechnology	Provides an investor with income tax credits equal to 50% of an eligible investment in a Qualified Maryland Biotechnology Company (QMBC), supporting investment in seed and early stage biotech companies. View Program
Brownfields Tax Incentive	Tax Credit	Location-Based, General	Provides incentives including tax credits, loans and grants for the redevelopment of eligible brownfield properties in participating jurisdictions. View Program
Enterprise Zone Tax Credits	Tax Credit	Location-Based, General	Provides real property and state income tax credits for businesses located in a Maryland Enterprise Zone in return for job creation and investments. View Program
Job Creation Tax Credit	Tax Credit	Job Creation, General	Businesses that create a minimum number of new full-time positions may be entitled to state income tax credits of up to $3,000 per job or $5,000 per job in a "revitalization area." View Program
Maryland Wineries and Vineyards Tax Credit	Tax Credit	Agriculture	Provides an income tax credit for qualified capital expenses related to a Maryland winery or vineyard. View Program
More Jobs for Marylanders - Manufacturing Tax Credit	Tax Credit	Technology, Manufacturing	Provides manufacturer tax incentives tied to job creation for a 10-year period, and encourages additional investment in new equipment through accelerated and bonus depreciation. View Program
One Maryland Tax Credit	Tax Credit	General	Businesses that invest in an economic development project in a "qualified distressed county" and create at least 25 new full-time jobs may qualify for up to $5.5 million in state income tax credits. View Program

Funding Program Name	Type	Category	Details
Regional Institution Strategic Enterprise (RISE) Zone Program	Tax Credit	Location-Based, Job Creation	A RISE Zone is a geographic area that has a strong connection with a qualified institution. Businesses locating in a RISE Zone or an existing business doing a significant expansion within the Zone, may qualify for real property tax credits and income tax credits related to capital investment and job creation. View Program
Research and Development Tax Credit	Tax Credit	Research	Businesses that have qualified R&D expenditures in Maryland may qualify for two state income tax credits, the Basic R&D Tax Credit and the Growth R&D Tax Credit. View Program