

Department of Legislative Services  
 Maryland General Assembly  
 2026 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 1617  
 Health

(Delegate Alston, *et al.*)

Finance

Public Health - Health Innovation Zones - Establishment

This bill *authorizes* the local zoning authority of a county to designate a “health innovation zone” but *requires* Prince George’s County to designate two health innovation zones, as specified. When a health innovation zone is designated, the county must establish, by law, incentives that will be provided to specified businesses that locate in the health innovation zone. Further, a grocery store, pharmacy, primary care provider, and specialty care provider located in a health innovation zone is not subject to local zoning or land use laws. Beginning in fiscal 2028, the Governor *may* appropriate funds to the Maryland Economic Development Corporation (MEDCO) to provide funding for the establishment of specified businesses in a health innovation zone established in Prince George’s County. MEDCO *must* provide funding for such businesses beginning in fiscal 2029 and seek additional funding for health innovation zones in Prince George’s County, as specified.

Fiscal Summary

**State Effect:** General fund expenditures increase by *at least* \$250,000 in FY 2028 for MEDCO administrative expenses, as discussed below. General fund expenditures increase by an additional indeterminate but *significant* amount beginning in FY 2029 for MEDCO to provide incentives for establishment of specified businesses in a health innovation zone in Prince George’s County. Potential increase in nonbudgeted expenditures for MEDCO beginning in FY 2029 to administer such funding (not shown). Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	250,000	-	-	-
Net Effect	\$0	(\$250,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

**Local Effect:** Prince George’s County expenditures increase beginning as early as FY 2027 to provide local incentives. Any impact on revenues cannot be reliably estimated.

Expenditures for other counties increase to the extent they choose to designate health innovation zones. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Meaningful.

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## Analysis

**Bill Summary:** “Health innovation zone” means a contiguous geographic area that (1) demonstrates measurable and documented health disparities and poor health outcomes, including high rates of maternal health complications, newborn health complications, and chronic and infectious diseases; (2) is populated by communities of color, communities with low-income households, communities with a high immigrant population, or economically disadvantaged communities; and (3) is small enough to allow for specified incentives to have a significant impact on improving health outcomes and reducing health disparities, including racial, ethnic, geographic, and disability-related health disparities in rural communities.

The local zoning authority of a county may designate a health innovation zone if the area to be designated (1) is a food or health care desert; (2) has a high concentration of cancer, diabetes, heart disease, or hypertension; and (3) has a low prevalence of grocery stores, pharmacies, primary care providers, and specialty care providers.

Prince George’s County *must* designate a health innovation zone in (1) the Blue Line Corridor, and (2) the area located within two miles of the border between the county and the District of Columbia. The Prince George’s County Council may designate additional health innovation zones under the same parameters as those designated elsewhere in the State. Accordingly, any other health innovation zone may be designated by the county if the area (1) is a food or health care desert; (2) has a high concentration of cancer, diabetes, heart disease, or hypertension; and (3) has a low prevalence of grocery stores, pharmacies, primary care providers, and specialty care providers.

Beginning in fiscal 2028, the Governor may, subject to the limitations of the State budget, include in the annual budget bill an appropriation to MEDCO to encourage grocery stores, pharmacies, primary care providers, and specialty care providers to locate in a health innovation zone within Prince George’s County. Likewise, the requirement for MEDCO to look for additional funding sources to encourage health innovation business growth in a health innovation zone applies only to Prince George’s County.

## **Current Law:**

### *Maryland Economic Development Corporation*

MEDCO is a nonbudgeted entity created in 1984 by the General Assembly to assist business and governmental entities through ownership, financing, and development of real and personal property projects. MEDCO purchases or develops property that is leased to others and makes loans to companies throughout the State to maintain or develop facilities. MEDCO has broad powers to finance projects and most often is a conduit issuer of tax-exempt revenue bonds to an eligible tax-exempt borrower. MEDCO has also issued bonds to finance projects that it owns and operates; MEDCO-owned projects consist mostly of student housing projects. Generally, MEDCO debt is not debt of the State, and there is no implied State guaranty or State obligation to protect bondholders from losses.

### *Prince George's County Blue Line Corridor*

The Prince George's County Blue Line Corridor is an area in central Prince George's County, the specific boundaries of which are designated by public local law, near the intersections of I-495 and Landover Road, Arena Drive, and Central Avenue.

### *Health Enterprise Zones*

Chapter 3 of 2012 established a process for the designation of "health enterprise zones" (HEZs) to target State resources to specific areas of the State to reduce health disparities, improve health outcomes and access to primary care, promote prevention services, and reduce health care costs and hospital admissions and readmissions. The Act authorized specified incentives for HEZ practitioners who practice in an HEZ, including tax credits against the State income tax.

Over four years, the State funded five HEZs: Annapolis/Morris Blum; Capitol Heights in Prince George's County; Caroline and Dorchester Counties; Greater Lexington Park in St. Mary's County; and West Baltimore in Baltimore City. All HEZs sought to reduce diabetes and cardiovascular disease related illnesses and associated risk factors. In addition, two addressed asthma (Capitol Heights and Greater Lexington Park), two addressed behavioral/mental health (Caroline-Dorchester and Greater Lexington Park), and two addressed obesity (Caroline-Dorchester and West Baltimore). Each utilized financial incentives to expand availability of primary care in their communities and employ community health workers to address clinical and social risk factors of vulnerable patients.

**State Expenditures:** Under the bill, beginning in fiscal 2028, the Governor *may* appropriate funds to MEDCO to provide funding for the establishment of specified businesses in a health innovation zone in Prince George's County. However, beginning in

fiscal 2029, MEDCO *must* provide funding to encourage grocery stores, pharmacies, primary care providers, and specialty care providers to locate in a health innovation zone in Prince George's County. MEDCO must also look for additional funding sources to encourage health innovation business growth in a health innovation zone in Prince George's County.

Thus, general fund expenditures increase by *at least* \$250,000 in fiscal 2028 to provide funding to MEDCO to convene stakeholders, hire outside experts in health policy and other topics, and/or retain third-party consultants to assist with designing incentives to encourage grocery stores, pharmacies, primary care providers, and specialty care providers to locate in a health innovation zone in Prince George's County, as well as to identify other federal, State, private, and/or philanthropic dollars that may be available.

Beginning in fiscal 2029, general fund expenditures increase by an additional indeterminate but *significant* amount for MEDCO to provide funding to encourage grocery stores, pharmacies, primary care providers, and specialty care providers to locate in a health innovation zone in Prince George's County. This analysis assumes that discretionary general funds are provided for this purpose. To the extent other sources of funding are identified by MEDCO, general fund expenditures may be reduced, and special and/or federal fund expenditures may increase.

Nonbudgeted expenditures for MEDCO may increase by an indeterminate amount beginning in fiscal 2029 to administer incentives to businesses in a health innovation zone in Prince George's County. This analysis assumes MEDCO does not assist with funding for health innovation zones established elsewhere in the State, as the bill neither authorizes nor requires such assistance.

**Local Fiscal Effect:** The bill requires Prince George's County to designate two health innovation zones. The Prince George's County Council must establish by law incentives that will be provided to grocery stores, pharmacies, primary care providers, and specialty care providers that locate in the health innovation zones. Prince George's County expenditures increase beginning as early as fiscal 2027 to provide local incentives, to be determined by the Prince George's County Council. To the extent that local incentives include property tax incentives, local revenues potentially decrease. Any impact on revenues cannot be reliably estimated.

**Small Business Effect:** Small business grocery stores, pharmacies, primary care providers, and specialty care providers may receive incentives to locate in a health innovation zone in Prince George's County (and elsewhere in the State if any are others are designated). Such businesses located in a health innovation zone are exempt from local zoning or land use laws.

## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Calvert and Prince George's counties; Maryland Association of County Health Officers; Maryland Economic Development Corporation; Maryland Department of Planning; Maryland Department of Transportation; Department of Legislative Services

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