

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1617
 Health

(Delegate Alston, *et al.*)

Public Health - Health Innovation Zones - Establishment

This bill *authorizes* the local zoning authority of a county to designate a “health innovation zone”; however, 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. 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. A grocery store, pharmacy, primary care provider, and specialty care provider located in a health innovation zone are not subject to local zoning or land use laws. Beginning in fiscal 2028, the Governor must appropriate at least \$5.0 million to the Maryland Economic Development Corporation (MEDCO) to provide funding for the establishment of specified businesses in a health innovation zone but only for those established in Prince George’s County.

Fiscal Summary

State Effect: General fund expenditures increase by \$5.0 million annually beginning in FY 2028 to reflect the bill’s mandated appropriation. Potential increase in nonbudgeted expenditures for MEDCO to administer such funding (not shown). Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2028.**

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	5,000,000	5,000,000	5,000,000	5,000,000
Net Effect	\$0	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)

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.

Analysis

Bill Summary:

Health Innovation Zone

“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.

The Prince George’s County Council may designate additional health innovation zones (beyond the two required under the bill) 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.

Mandated Appropriation and Funding

Beginning in fiscal 2028, the Governor must include in the annual budget bill an appropriation of at least \$5.0 million 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: General fund expenditures increase by \$5.0 million annually beginning in fiscal 2028, which reflects the bill's mandated appropriation to MEDCO to encourage grocery stores, pharmacies, primary care providers, and specialty care providers to locate in a health innovation zone in Prince George's County. Beginning July 1, 2028 (fiscal 2029), MEDCO must provide such funding. MEDCO must look for additional funding sources to encourage health innovation business growth in a health innovation zone in Prince George's County. This analysis assumes that funding appropriated in fiscal 2028 would be provided in fiscal 2028, although the bill specifies that it must be provided beginning in fiscal 2029.

To the extent funding from the mandated appropriation cannot be used to cover any administrative costs for MEDCO, nonbudgeted expenditures for MEDCO may increase by an indeterminate amount beginning in fiscal 2028. This analysis assumes MEDCO does not assist with funding for health innovation zones established elsewhere in the State, as the bill neither authorizes nor require 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. While \$5.0 million in annual funding will be provided through MEDCO as discussed above, Prince George’s County expenditures increase by an additional amount 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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