

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

Senate Bill 1172

(Senator Pugh, *et al.*)

Budget and Taxation

Environment and Transportation

Seed Community Development Anchor Institution Fund

This bill establishes a Seed Community Development Anchor Institution Fund within the Department of Housing and Community Development (DHCD) to provide grants and loans to “anchor institutions” for community development projects in “blighted areas” of the State. DHCD must administer the fund, which consists of money appropriated in the State budget, investment earnings of the fund, and any other money accepted from any other source for the benefit of the fund. For fiscal 2018 through 2022, the Governor must include in the annual budget bill an appropriation of \$5 million to the fund.

The bill takes effect July 1, 2016.

Fiscal Summary

**State Effect:** Pay-as-you-go (PAYGO) general fund expenditures increase by \$5.0 million annually from FY 2018 through 2022 to capitalize the fund pursuant to the bill’s mandated appropriation. Special fund revenues to and expenditures from the fund increase correspondingly. General fund administrative expenditures for DHCD increase by \$63,200 in FY 2018; future year administrative expenditures reflect inflation. **This bill establishes a mandated appropriation for FY 2018 through 2022.**

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
GF Expenditure	\$0	\$63,200	\$60,900	\$62,900	\$65,000
SF Expenditure	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
PAYGO GF exp	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Net Effect	\$0	(\$5,063,200)	(\$5,060,900)	(\$5,062,900)	(\$5,065,000)

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

**Local Effect:** Local governments are not directly affected by the bill. However, local governments may benefit over time to the extent that community development projects in blighted areas receive funding under the bill and contribute to revitalization of those areas.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** The bill defines “anchor institution” as (1) an institution of higher education in the State or (2) a hospital institution in the State. A hospital institution must (1) have at least five physicians organized as a medical staff for the institution; (2) maintain facilities to provide diagnostic and treatment services for two or more unrelated individuals; and (3) admit or retain individuals for overnight care.

A “blighted area” is one in which the majority of buildings have declined in productivity by obsolescence, depreciation, or other cause to an extent that they no longer justify fundamental repairs and adequate maintenance.

To be eligible for a grant or loan, an anchor institution must provide evidence of matching funds from a private source. Grants and loans must be awarded on a competitive basis. Expenditures from the fund may be made only in accordance with the State budget.

**Current Law:** DHCD’s mission is to work with partners to finance housing opportunities and revitalize places for Maryland citizens to live, work, and prosper. A number of activities in DHCD are designed to revitalize communities that are in decline or in danger of going into decline. Efforts such as the Neighborhood BusinessWorks Program provide low-interest loans or grants to small, neighborhood retail and service businesses, often as a needed catalyst to stabilize a particular area or spur other private investment.

**Background:** According to the Maryland Independent College and University Association (MICUA), several colleges, universities, and hospitals formed coalitions to serve as anchor institutions in various areas of Baltimore City to build and support communities. MICUA further advises that, in 2014, four institutions of higher education signed agreements with the Mayor of Baltimore to engage in numerous projects to build stronger neighborhoods, attract residents, create jobs, and support economic growth.

**State Fiscal Effect:** PAYGO general fund expenditures increase by \$5 million annually from fiscal 2018 through 2022 to capitalize the fund, as required by the bill. Special fund revenues to the new fund and expenditures from the fund increase correspondingly. This analysis does not reflect any additional special fund revenues that may accrue to the fund from investment earnings and loan repayments.

The bill does not authorize DHCD to use the special fund to cover its administrative costs. Because the allocation of \$5 million annually from the fund is expected to involve significant staff time related to program management and accounting, DHCD requires additional staff to administer the program. Therefore, general fund expenditures for DHCD increase by \$63,234 in fiscal 2018. This estimate reflects the cost of hiring one contractual accountant to handle additional program activity through fiscal 2022. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1
Salary and Fringe Benefits	\$58,263
Operating Expenses	<u>4,971</u>
<b>Total FY 2018 DHCD Admin. Expenditures</b>	<b>\$63,234</b>

Future year administrative expenditures reflect annual increases and employee turnover as well as annual increases in ongoing operating expenses. Because the mandated appropriation terminates after fiscal 2022, this analysis assumes that the contractual employee is no longer needed after fiscal 2022.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

State entities that meet the bill’s definition of “anchor institutions” benefit to the extent they receive financial assistance under the bill.

**Small Business Effect:** Small businesses benefit to the extent they are involved with community development projects that are funded as a result of the bill. In addition, any small businesses located in blighted areas where anchor institutions fund community development projects benefit to the extent the bill contributes to revitalization of those areas.

### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1400 (Delegate Glenn, *et al.*) - Environment and Transportation.

**Information Source(s):** Maryland Higher Education Commission, Baltimore City Community College, University System of Maryland, Morgan State University, St. Mary’s College of Maryland, Maryland Independent College and University Association,

Department of Budget and Management, Department of Health and Mental Hygiene,  
Department of Housing and Community Development, Department of Legislative Services

**Fiscal Note History:** First Reader - March 18, 2016  
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