

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 821

(Senator Madaleno, *et al.*)

Education, Health, and Environmental Affairs

Environment and Transportation

Community Development Program Act of 2018

This bill establishes a Community Development Program (CDP) within the Department of Housing and Community Development (DHCD) to provide financial assistance for community development projects and community development organizations around the State. DHCD must adopt regulations to carry out the program. The bill also establishes a Community Development Fund as a special fund within DHCD to support the program; the fund consists of money appropriated in the State budget, in addition to any other money from any other source accepted for the benefit of the fund. DHCD is not required to provide staff or operating expenses for administering CDP until money is appropriated in the State budget for the fund. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase significantly (likely in the millions of dollars) beginning in FY 2019 to capitalize the new fund and, once funding is provided, for program administration. Special fund revenues to and expenditures from the fund increase correspondingly. Potential minimal increase in general fund revenues from interest.

Local Effect: Local government revenues may increase significantly to the extent local jurisdictions are eligible to receive financial assistance under the program.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Community Development Board

The bill establishes a Community Development Board in the program and establishes provisions relating to the membership of the board. The board must (1) make recommendations on how the fund is to be used; (2) provide a period of at least 30 days for public comment on the recommendations; and (3) report on the activities of the fund and make any recommendations regarding the fund to the Governor and the General Assembly by December 31 of each year.

Community Development Fund

The stated purpose of the fund is the same as the stated purpose of CDP. DHCD must administer the fund with the assistance of the board. The fund may be used only for (1) administrative expenses of DHCD in administering the program and (2) financial assistance for community development projects and community development organizations as specified under the bill. Expenditures from the fund may be made only in accordance with the State budget.

In consultation with the board, DHCD must administer the fund to provide financial assistance (including capital and operating grants) for:

- affordable housing;
- neighborhood revitalization for residential and commercial areas;
- housing counseling, financial counseling, and foreclosure prevention;
- community organizing;
- small business development;
- community services; and
- any other community development purpose.

The financial assistance may be provided in the form and manner DHCD determines appropriate and may include providing capital and operating grants.

Current Law/Background: The Division of Neighborhood Revitalization within DHCD (which, under the bill, administers CDP) administers commercial and mixed-use revitalization programs to encourage physical and organizational improvements to business areas. To carry out commercial and mixed-use revitalization programs, the division must administer State and federal grants and loans and other financial assistance to:

- political subdivisions, local public agencies, nonprofit organizations, neighborhood or community organizations, or private parties; or
- corporations or foundations whose net earnings are invested to foster, encourage, help, or carry out community assistance activities, projects, or programs.

State Fiscal Effect: Although the bill does not require a specific amount of funding to be appropriated to the fund in any given year (or specify a funding source for the program), the Department of Legislative Services (DLS) advises that, given the broad range of activities identified in the bill, a significant amount of funding is required in order to operate the program. Thus, general fund expenditures increase significantly beginning in fiscal 2019 in order to capitalize the new fund. A viable program likely requires a general fund appropriation to the Community Development Fund of several million dollars. Special fund revenues to and expenditures from the fund increase correspondingly.

Once funding is appropriated for the fund, DHCD needs to hire additional staff to administer the program. Although the amount of any future general fund appropriation is unknown, DLS advises that a viable program may require as many as five staff. To the extent less funding is provided, fewer staff may be needed. In any event, DHCD is authorized to use the new special fund to cover its administrative costs. Therefore, to the extent that funding is appropriated for the fund, staffing costs increase but are absorbed within the appropriation provided for the fund.

Although not a direct impact, the bill may also result in an increase in State revenues from increased economic development.

Local Fiscal Effect: Local government revenues may increase significantly to the extent local jurisdictions are eligible to receive financial assistance under the program for community development projects; although the bill does not explicitly indicate that local jurisdictions may apply for funds, it is assumed that local jurisdictions could be sponsors of eligible projects.

Although not a direct impact, the bill may also result in an increase in local revenues from increased economic development.

Small Business Effect: Small businesses that are able to secure funding under the program for community development projects (*e.g.*, affordable housing construction, neighborhood revitalization for commercial areas, etc.) may be able to expand as a result of the bill.

Additional Information

Prior Introductions: SB 812 of 2017, a similar bill as amended, passed the Senate and was referred to the House Rules and Executive Nominations Committee, but no further action was taken. Its cross file, HB 1514, received a hearing in the House Environment and Transportation Committee, but no further action was taken. HB 1274 of 2016, a similar bill, received a hearing in the House Environment and Transportation Committee, but no further action was taken. Its cross file, SB 836, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: HB 109 (Delegate Lafferty) - Environment and Transportation.

Information Source(s): Caroline, Montgomery, and Prince George's counties; Department of Housing and Community Development; Department of Legislative Services

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