

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader - Revised

House Bill 472 (Delegate Lierman)
 Environment and Transportation

Housing - Community Development Program Act - Funding

This bill requires the Comptroller to distribute \$5.0 million annually from the State’s unclaimed property fund to the Community Development Program Fund (CDPF) within the Department of Housing and Community Development (DHCD). The bill also repeals uncodified language from prior chapter law specifying that DHCD is not required to incur costs for the Community Development Program (CDP) until money is appropriated in the State budget. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: General fund revenues decrease by \$5.0 million annually beginning in FY 2020, with a corresponding increase in special fund revenues. Special fund expenditures increase correspondingly beginning in FY 2021.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
SF Revenue	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
SF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	\$0.0	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

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

Local Effect: Local government revenues may increase significantly beginning in FY 2021 to the extent local jurisdictions are eligible to receive financial assistance. Local government expenditures increase correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Community Development Program

Chapters 801 and 802 of 2018 established CDP within 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.

Chapters 801 and 802 also established CDPF 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 incur operating expenses to administer CDP until money is appropriated in the State budget for the fund. The Governor's proposed fiscal 2021 budget does not include any funding for the program.

Community Development Board

Chapters 801 and 802 also established a Community Development Board in the program. 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 Program Fund

The stated purpose of CDPF 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.

Unclaimed Property Fund

Title 17 of the Commercial Law Article generally governs abandoned property in the State.

Within one year of taking custody of abandoned personal property, the Comptroller must sell the property at auction. A person who claims a legal interest in property delivered to the Comptroller must file a claim to the property or to the proceeds from its sale. For property sold at auction, if the Comptroller allows the claim, the Comptroller must pay the claimant an amount equal to the sales price.

The Comptroller has an electronic [unclaimed property database](#) on the agency's website.

All funds received under Title 17 must be credited by the Comptroller to a special fund (referred to as the unclaimed property fund). The Comptroller must retain up to \$50,000 annually to pay any claims allowed under Title 17. After deducting administrative costs, the Comptroller must distribute \$2.0 million to the Maryland Legal Services Corporation Fund.

Subsequently, the Comptroller must distribute all unclaimed money from judgments of restitution to the State Victims of Crime Fund to assist victims of crimes and delinquent acts to protect the victims' rights as provided by law. If a victim entitled to restitution that has been treated as abandoned property is located after the money has been distributed, the Comptroller must reduce the next distribution to the State Victims of Crime Fund by the amount recovered by the victim.

After making the required distributions, the Comptroller must distribute the remaining net funds to the general fund.

In fiscal 2019, the unclaimed property fund had total revenues of \$177.0 million, of which \$65.0 million was paid out for property claim refunds. Following a \$5.5 million disbursement for administrative expenses, and a mandated \$2.0 million distribution to the Maryland Legal Services Corporation Fund, the remaining \$104.5 million reverted to the general fund.

State Fiscal Effect: Based on the assumption that annual net revenues to the unclaimed property fund continue to exceed \$5.0 million annually, general fund revenues decrease by \$5.0 million annually beginning in fiscal 2020 due to the redistribution of funds from the unclaimed property fund to CDPF instead of to the general fund. Under current law, the distribution of funds from the unclaimed property fund occurs at the end of the fiscal year. Thus, the bill’s June 1, 2020 effective date means that DHCD receives the full \$5.0 million in fiscal 2020, and this analysis assumes that DHCD retains those funds for grants made in fiscal 2021. Similarly, funds received at the end of each succeeding fiscal year are spent the following fiscal year. Thus, beginning in fiscal 2020, special fund revenues for CDPF increase by \$5.0 million annually, and special fund expenditures for CDPF increase by \$5.0 million annually beginning in fiscal 2021.

DHCD is authorized to use CDPF for administrative costs. Therefore, staffing costs increase under the bill but are absorbed within the appropriation provided for the fund.

Special fund administrative expenditures increase by \$121,571 in fiscal 2021, assuming a 30-day start-up delay. This estimate reflects the cost of hiring one project manager and one administrative assistant to operate CDP with funding provided under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$110,838
Operating Expenses	<u>10,733</u>
Total FY 2021 DHCD Admin. Expenditures	\$121,571

Future year administrative expenditures reflect salaries with annual increases and employee turnover and ongoing operating expenses. After deducting costs for administrative expenses, about \$4.9 million annually is assumed to be available for other CDP activities.

Local Fiscal Effect: Local government revenues may increase significantly beginning in fiscal 2021 to the extent local jurisdictions are eligible to receive financial assistance under CDP as a result of the bill. Although not explicitly identified as potential funding recipients, it is assumed that local jurisdictions could be sponsors of eligible projects. Local expenditures increase correspondingly on community development projects.

In addition, although not a direct impact, local revenues may also increase from increased economic development.

Small Business Effect: Small businesses that are able to secure funding under CDP 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 funding provided by the bill.

Additional Information

Prior Introductions: HB 1287 of 2019 passed the House with amendments and was referred to the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, SB 632, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: SB 387 (Senator Eckardt) - Budget and Taxation.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Department of Housing and Community Development; Department of Legislative Services

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