

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 817
Appropriations

(Delegate Lafferty)

Maryland Smart Growth Investment Fund

This bill requires the Governor to appropriate \$3.75 million in fiscal 2020 and 2021 to the Maryland Smart Growth Investment Fund *if* the fund balance is at least \$25.0 million on specified dates. If the fund balance is less than \$25.0 million on March 1, 2019, the Governor is not required to appropriate funding in fiscal 2020. Likewise, if the fund balance is less than \$25.0 million on July 1, 2019, the Governor is not required to appropriate funding in fiscal 2021. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures are likely unaffected, as discussed below. **To the extent the fund balance is \$25.0 million or more, this bill establishes a mandated appropriation in FY 2020 and 2021.**

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The Maryland Smart Growth Investment Fund, specified by the bill as established under the Department of Commerce (Commerce), does not exist.

Chapter 592 of 2013 established the Maryland Smart Growth Investment Fund Workgroup to make recommendations for the design and creation of an investment fund that would encourage and support smart growth in targeted areas. The workgroup included members of the General Assembly, representatives from the Department of Housing and Community

Development (DHCD), Commerce, local governments, and the private sector, among others. The workgroup report can be found on the Department of Legislative Services' (DLS) [website](#).

The workgroup recommended that the Maryland Economic Development Corporation (MEDCO) should “sponsor” the fund and act as an intermediary between the State and the private sector. At the time, MEDCO agreed to develop a plan for the creation of the fund and to select a fund manager and to determine investment criteria. However, according to MEDCO, the fund was not established. MEDCO advises that this was due to DHCD deciding to use internal funds, as discussed below.

The *2017 Joint Chairmen's Report* (page 164) asked DHCD to provide information related to why the fund had not been established. DHCD's response to that request indicates that DHCD has “met the programmatic intent” of the Maryland Smart Growth Investment Fund Workgroup by establishing the Neighborhood Business Loan Program under its expanded Neighborhood Business Works Program authority. The program provides loans for business lending projects funded through a combination of private capital sourced by the Community Development Administration in DHCD and State special and general obligation bond funds. The DHCD response can be found on the DLS [website](#).

State Fiscal Effect: As noted above, the Maryland Smart Growth Investment Fund does not exist. This analysis assumes that Commerce establishes the fund so that an appropriation may be made but, given the timeframes specified in the bill, that the fund is not able to raise the \$25.0 million necessary to require the Governor to appropriate funding in either year.

To the extent that the fund is established and there is a sufficient fund balance as of the dates specified in the bill, mandated general fund expenditures increase by \$3.75 million in fiscal 2020 and/or by \$3.75 million in fiscal 2021. Commerce special fund revenues increase correspondingly; special fund expenditures likely increase beginning in the year mandated general funds are received.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 632 (Senator Rosapepe – Finance), is not identical.

Information Source(s): Department of Commerce; Department of Budget and Management; Department of Housing and Community Development; Maryland Economic Development Corporation; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2018
mm/rhh

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510