HB 1253

Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1253 (Delegate Washington)
Appropriations Education, Health, and Environmental Affairs and Budget and Taxation

National Capital Strategic Economic Development Program - Eligibility and Funding

This bill redefines the "national capital region" for the purposes of eligibility for funding from the National Capital Strategic Economic Development Program to mean areas of the State located within a sustainable community in Montgomery or Prince George's counties. The bill further requires that funding be used for community enhancement projects in sustainable communities located in specified areas. Finally, the bill makes permanent the existing mandated appropriations to the program of (1) $200,000 in the annual operating budget and (2) $7.0 million in the annual operating or capital budget. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund and pay-as-you-go (PAYGO) general fund expenditures increase by a total of $4.2 million in FY 2026 and by $7.2 million annually thereafter, as discussed below. Special fund revenues to the existing fund and expenditures from the fund increase commensurately. The Department of Housing and Community Development can continue to administer the program with existing resources. **This bill makes an existing mandated appropriation permanent beginning in FY 2026.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	$0	$0	$0	$0	$4,200,000
GF Expenditure	$0	$0	$0	$0	$200,000
SF Expenditure	$0	$0	$0	$0	$4,200,000
PAYGO GF exp	$0	$0	$0	$0	$4,000,000
Net Effect	$0	$0	$0	$0	($4,200,000)

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

Local Effect: Local revenues and expenditures increase to the extent local governments apply for and receive additional financial assistance as a result of the bill. However, some municipalities in Montgomery and Prince George's counties may benefit from the bill's changes while others may be disadvantaged.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Beginning in fiscal 2022 and annually thereafter, 100% of program funding must be used for community enhancement projects in sustainable communities in Montgomery and Prince George's counties. In Prince George's County, the projects must be located, at least in part, within the boundary created by Interstate 495 in the State and the District of Columbia. In Montgomery County, eligible projects must be within an enterprise zone or the boundary created by (1) Prince George's County; (2) Maryland Route 200; (3) Interstate 270; (5) Interstate 495 to the Maryland State line; and (5) the District of Columbia.

Current Law:

National Capital Strategic Economic Development Program

Chapter 732 of 2019 established the National Capital Strategic Economic Development Program. The program provides financial assistance to specified government agencies, entities controlled by housing authorities, and community development organizations in the "national capital region" for community enhancement projects. The "national capital region" is defined as the areas of the State located within both (1) the boundary created by Interstate 495 in the State and the District of Columbia and (2) a qualified opportunity zone or enterprise zone in Montgomery or Prince George's counties. For fiscal 2021 through 2025, the Governor is required to include annual appropriations of $200,000 in the operating budget to administer the program and $7.0 million in either the operating or capital budget to be distributed under the program.

Sustainable Communities and Priority Funding Areas

A sustainable community is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

State Fiscal Effect: The bill makes permanent two existing mandated appropriations for the program; under current law, the mandated appropriations apply through fiscal 2025.

Beginning in fiscal 2026, general fund expenditures increase by $200,000 annually due to the bill's extension of the existing mandated appropriation of $200,000 in the annual operating budget.

As the General Assembly cannot mandate appropriations in the capital budget, this analysis assumes that PAYGO general funds are used to meet the bill's extension of the existing mandated appropriation of $7.0 million in the annual operating or capital budget. Although current law mandates ongoing spending of $7.0 million annually through fiscal 2025, the fiscal 2022 capital budget, as submitted by the Governor, projects ongoing PAYGO general fund expenditures of $3.0 million annually to the fund through fiscal 2026 (after the current mandate expires). However, it is unknown if successive capital budgets beginning in fiscal 2027 will continue to include $3.0 million annually for the fund. Therefore, PAYGO general fund expenditures increase by $4.0 million in fiscal 2026 and are assumed to increase by $7.0 million annually thereafter.

Special fund revenues to and expenditures from the existing National Capital Strategic Economic Development Fund increase correspondingly each year. To the extent any additional loans are made under the program as a result of the bill, special fund revenues also increase from loan repayments.

Local Fiscal Effect: To the extent that local governments, including housing authorities, receive additional financial assistance as a result of the bill, local revenues and expenditures increase correspondingly beyond fiscal 2025. However, some municipalities in Montgomery and Prince George's counties may benefit from the bill's changes while others may be disadvantaged.

Although not a direct effect, local tax revenues in affected areas may increase from additional economic development initiatives funded by the program. However, the exact magnitude of such an effect cannot be reliably estimated.

Small Business Effect: Any small business involved in development activities in jurisdictions eligible for funding may receive additional business as a result of the bill. However, because the bill restricts funding to projects in specified areas located in the national capital region, as defined by the bill, small businesses operating in those areas are more likely to benefit under the bill than entities in other areas of Montgomery and Prince George's counties.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 509 (Senator Peters) - Education, Health, and Environmental Affairs and Budget and Taxation.

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

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