

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

House Bill 302 (The Speaker, *et al.*)
 (Administration)

Environmental Matters

Economic and Environmental Affairs

Office of Smart Growth

This Administration bill establishes an Office of Smart Growth as part of the Executive Department.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: The FY 2002 budget includes \$405,132 in general funds to establish the office, contingent upon the enactment of this bill or SB 204. Future year estimates reflect full salaries, are adjusted for inflation, and reflect ongoing operating expenses. Revenues would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	405,100	263,500	274,700	286,600	299,200
Net Effect	(\$405,100)	(\$263,500)	(\$274,700)	(\$286,600)	(\$299,200)

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

Local Effect: Local jurisdictions could benefit from any technical assistance provided by the new office pursuant to the bill. However, the bill does not directly affect local finances.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: The purpose of the bill is to establish a centralized office in the State such that the policy of Smart Growth can be better articulated, coordinated, and implemented in order to better serve the residents of the State.

The office must:

- review State assistance programs related to Smart Growth to determine their applicability to projects that are consistent with the State's Smart Growth policy;
- promote interagency consensus and cooperation on projects that are consistent with the State's Smart Growth policy and resolve conflicting agency positions on projects in an expedited manner;
- provide advisory and technical assistance to local jurisdictions and to the public in preparing, financing, and developing Smart Growth and Neighborhood Conservation projects;
- gather and disseminate information to the public, including local jurisdictions, nonprofit organizations, and developers on how to develop projects that are consistent with the State's Smart Growth policy;
- provide a single point of access for members of the public who need assistance or guidance in navigating the processes and regulations of State agencies on projects that are consistent with the State's Smart Growth policy;
- work with local governments in expediting review of projects that both the local government and the State agree are consistent with the State's Smart Growth policy;
- provide effective public information on Smart Growth programs and educational activities;
- coordinate the effort of the Executive Branch to provide input to the General Assembly on legislation that concerns Smart Growth and Neighborhood Conservation;
- coordinate review of federal projects in relation to their location in priority funding areas to encourage compliance with federal Executive Order 12072, which directs federal agencies to locate facilities in urban areas;
- in coordination with the Smart Growth Subcabinet, which is established by the bill, recommend to the Governor changes to State law and regulations necessary to advance the policy of Smart Growth; and
- report to the Governor and the General Assembly by December 1, 2001 and December 1 annually thereafter on the activities of the office and the implementation of Smart Growth projects in the preceding calendar year.

The bill provides that the head of the office is the Special Secretary of Smart Growth, who is appointed by the Governor. The Special Secretary is entitled to the salary provided in the State budget. The Special Secretary may adopt regulations necessary to implement the bill.

The bill establishes a 12-member Smart Growth Subcabinet to: (1) provide a forum for discussion of interdepartmental issues; (2) work together using all available resources to promote the understanding of Smart Growth; (3) in coordination with State agencies, evaluate and report annually to the Governor and the General Assembly on the implementation of the State's Smart Growth policy; and (4) perform other duties assigned by the Governor. The Special Secretary will chair the subcabinet, and the office must provide the primary staff support for the subcabinet. The Secretary of Planning will be the vice-chair of the subcabinet. The Special Secretary and the Secretary of Planning may call upon any of the subcabinet members to provide additional staff assistance as needed.

Current Law: With specified exceptions, beginning October 1, 1998, the State may not provide funding for a growth-related project if the project is not located within a priority funding area (PFA). Local governments must certify PFAs with the assistance of the Department of Planning. The Department of Planning must establish a process to review projects by the appropriate State agencies and provide each appropriate State agency and unit of local government with the location of PFAs. The Department of Planning must make available to each county, and to the public for review, copies of maps illustrating certified PFAs. The Department of Planning must draft model land-use codes for infill development and smart neighborhood development and draft guidelines to provide local governments with information on innovative planning and implementation techniques to encourage and facilitate infill development and smart neighborhood development. The Department of Planning must circulate those models and guidelines to other State agencies and departments and work with local governments, State agencies, and departments to develop incentives to encourage the voluntary adoption and implementation of models and guidelines by local governments.

To establish relative priorities and avoid duplication and conflicts, the Department of Planning advises the Governor on the means and methods available to coordinate the plans and programs of all units of State government as well as the plans and programs of federal, State, regional, and local governments. The department must harmonize its planning activities with the planning activities of other units of State government and local governments, coordinate the plans and programs of all units of the State government, and cooperate with and assist other units of the State government and local governments in the execution of their planning functions to harmonize their planning activities with the State development plan. The department serves as a repository and clearinghouse for information concerning federal and State grants, loans, and other

financial and technical assistance. The department must annually publish information concerning State financial and technical assistance.

Background: In 1997 the General Assembly adopted Governor Glendening's Smart Growth legislative package in an effort to reduce the impact of urban sprawl on the environment and encourage growth in existing communities. The initiative, which was designed to protect Maryland's green spaces and to preserve the State's rural areas, aims to manage growth by restricting State funding to designated priority funding areas. Often cited as a model for other states, Maryland's Smart Growth initiative includes:

- the Rural Legacy Program, which protects large contiguous tracts of rural lands by providing funds to local governments and land trusts for the purchase of conservation easements;
- the Brownfields Voluntary Cleanup and Revitalization Incentive Program, which provides loans, grants, and property tax credits to encourage the cleanup and development of abandoned or underutilized industrial or commercial sites;
- the Job Creation Tax Credit, which promotes job creation and revitalization in priority funding areas by providing income tax credits to business owners who create at least 25 full-time jobs that pay at least minimum wage; and
- the Live Near Your Work Program, which is a partnership between the Department of Housing and Community Development, local governments, and Maryland's businesses and institutions to provide a cash incentive for employees to live near their work in targeted neighborhoods.

Since its inception, the Smart Growth initiative has: directed \$150 million in transportation dollars to downtown "streetscaping" projects; prompted cleanup and redevelopment of 57 brownfield sites; built over 50 miles of sidewalks in older communities; helped approximately 300 private-sector employees buy homes closer to their jobs; and protected over 47,000 acres of land from development. In October 2000, the John F. Kennedy School of Government at Harvard University and the Ford Foundation recognized the Smart Growth program as one of the nation's best examples of creative problem-solving in the public sector. Although it has received national attention, the Administration continues to propose ways to improve the program.

In 1998 the Governor signed Executive Order 01.01.1998.04, which established the State's Smart Growth policy and required that all State agencies implement the policy and the Smart Growth initiatives enacted in 1997. The executive order:

- established a 12-member Smart Growth and Neighborhood Conservation Subcabinet and provided that the Department of Planning provide primary staff support for the subcabinet;

- directed the subcabinet to assist in the implementation of the Smart Growth policy, provide a forum for discussion of interdepartmental issues, establish a mechanism for identification and coordination of all State activities and projects within PFAs, develop procedures to review projects of extraordinary circumstances, and work together using all available resources to promote the understanding of the Smart Growth initiatives;
- directed the Department of Planning to provide technical assistance to local governments and provide maps and comments to all State agencies relating to PFAs;
- directed all State agencies to refer to information provided by the Department of Planning and to assist the department in conducting surveys of infrastructure needs;
- directed the Department of Planning, with the assistance of all affected State agencies, to evaluate and report annually to the Governor, the General Assembly, and the State Economic Growth, Resource Protection, and Planning Commission on the implementation of the Smart Growth policy;
- established a Smart Growth and Neighborhood Conservation Coordinating Subcommittee consisting of staff from all State agencies and provided that the Department of Planning provide primary staff support for the subcommittee; and
- directed the subcommittee to develop a list of existing programs, projects, and activities that will be used in PFAs and identify, develop, and adopt methods and procedures that will coordinate these programs within targeted communities in PFAs.

State Expenditures: The fiscal 2002 budget includes \$405,132 in general funds for the establishment of the Office of Smart Growth, contingent upon enactment of this bill or SB 204. The budgeted amount reflects:

- \$148,130 in salaries and fringe benefits for three new positions (the Special Secretary for Smart Growth; one administrator who will serve as a program manager; and an administrative aide to provide administrative support for the office), adjusted by 25% for employee turnover;
- \$59,268 in contractual services for land use experts and project development experts to perform special projects and provide support for regional forums on Smart Growth;
- \$75,565 for interior building renovations for the new office;
- \$42,019 for equipment;
- \$40,500 in rent for a 1,500 square foot office to be located in Annapolis at an estimated cost of \$27 per square foot;
- \$16,250 in motor vehicle operation and maintenance including \$15,190 for the purchase of an executive sedan for the Special Secretary;

- \$17,000 in other operating expenses including communications, travel, and supplies; and
- \$6,400 for software licenses.

The fiscal 2002 budget bill includes language limiting the office from expending funds on any job or position of employment in excess of three positions and contractual full-time equivalents paid through special payments payroll. The budget language authorizes the office to access the services of the employees of the departments of Environment, Natural Resources, Planning, Business and Economic Development, Housing and Community Development, and Transportation.

In addition to the three positions included in the fiscal 2002 budget, the Department of Budget and Management (DBM) reports that a “Senior Advisor for Smart Growth” will be appointed to the office from an existing budgeted position within the Department of Natural Resources. It is assumed that the office will access the services of other agencies as well, as authorized by the budget language.

Legislative Services advises that costs to establish the office could be less depending on the timing of implementation. Although the Governor’s Office and DBM report that the office will be functional as of July 1, 2001, to the extent that building renovations or other circumstances delay the implementation of the office, operating costs could decrease. Legislative Services also advises that costs could vary depending on the actual location, size, and condition of the office that is rented as well as the amount of out-of-state travel that is required.

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. Future year estimates do not include any funds for contractual services. Legislative Services advises that the need for further contractual services is unjustified. Expertise in Smart Growth issues clearly already exists in the State; Maryland was the pioneer for Smart Growth, and Maryland’s program has been recognized at the national level. Should existing State and local expertise prove inadequate in meeting the requirements of the bill, additional resources can be requested through the annual budget process.

It is assumed that the Department of Planning and other State agencies represented on the Smart Growth Subcabinet could handle any increase in workload with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 204 (The President, *et al.*) – Economic and Environmental Affairs.

Information Source(s): Department of Business and Economic Development, Department of Budget and Management, Department of General Services, Department of Housing and Community Development, Department of Planning, Governor's Office, Maryland Department of Agriculture, Maryland Department of the Environment, Maryland Department of Transportation, Maryland Higher Education Commission, Department of Legislative Services

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