

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 812

(Senator Madaleno, *et al.*)

Budget and Taxation

Rules and Executive Nominations

**Housing and Community Development - Community Development Program Act**

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.

**Fiscal Summary**

**State Effect:** General fund expenditures increase significantly, likely in the millions of dollars, beginning in FY 2018, to capitalize the Community Development Fund. Special fund revenues to and expenditures from the fund increase correspondingly; special fund expenditures for DHCD to administer the new program increase by \$341,900 in FY 2018 and reach \$492,600 by FY 2022.

**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:** 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, the Department of Legislative Services 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 2018 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.

DHCD’s administrative expenditures increase by \$341,916 in fiscal 2018, which accounts for the bill’s October 1, 2017 effective date. This estimate reflects the cost of filling several new positions to perform the functions required by the bill, including:

- one program manager to provide direction, leadership, and management of the program and its staff;
- three program administrators to adopt regulations and carry out day-to-day functions of the program; and
- one advanced accountant to operate and pay expenses related to the program.

The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	5
Salaries and Fringe Benefits	\$316,372
Operating Expenses	<u>25,544</u>
<b>FY 2018 DHCD Admin. Expenditures</b>	<b>\$341,916</b>

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

The bill authorizes DHCD to use program funds for administrative expenses. Thus, it is assumed that administrative expenses are paid from the Community Development Fund established by the bill. Any balance remaining in the Community Development Fund after DHCD’s administrative costs are paid is assumed to be spent on program activities, as specified in the bill.

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.

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### Additional Information

**Prior Introductions:** 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 1514 (Delegate Hixson, *et al.*) - Environment and Transportation and Ways and Means.

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

**Fiscal Note History:** First Reader - March 5, 2017  
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