

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 1084

(Senator Conway, *et al.*) (By Request - Baltimore City Administration)

Education, Health, and Environmental Affairs

Appropriations

Baltimore City - Continuing the Creating Opportunities for Renewal and Enterprise (CORE) Partnership Fund

This bill establishes the Continuing the Creating Opportunities for Renewal and Enterprise (CORE) Partnership Fund within the Department of Housing and Community Development (DHCD) to assist the department, in conjunction with the Maryland Stadium Authority (MSA) and Baltimore City, in expeditiously removing blighted property within Baltimore City. The Governor may include in the annual budget bill an appropriation to the fund of \$30.0 million in fiscal 2020 and \$25.0 million annually from fiscal 2021 through 2024. **The bill takes effect July 1, 2018, and terminates June 30, 2024.**

Fiscal Summary

State Effect: Pay-as-you-go (PAYGO) general fund expenditures increase by \$30.0 million in FY 2020 and by \$25.0 million annually from FY 2021 through 2024. Special fund revenues and expenditures increase correspondingly. Potential minimal increase in general fund revenues from interest beginning in FY 2020.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	\$0	\$30.0	\$25.0	\$25.0	\$25.0
SF Expenditure	\$0	\$30.0	\$25.0	\$25.0	\$25.0
PAYGO GF Exp	\$0	\$30.0	\$25.0	\$25.0	\$25.0
Net Effect	\$0.0	(\$30.0)	(\$25.0)	(\$25.0)	(\$25.0)

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

Local Effect: Baltimore City revenues increase, potentially significantly, as it is likely that the city receives most or all of the additional funding available under the bill. To the extent that revenues increase, expenditures increase correspondingly to remove blighted properties.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The Continuing the CORE Partnership Fund is a special, nonlapsing fund that consists of money appropriated in the State budget to the fund and any other money accepted from any other source for the benefit of the fund. Interest earnings of the fund are credited to the general fund. The fund may also be used for administrative expenses.

Current Law/Background: On January 5, 2016, Governor Lawrence J. Hogan, Jr. and Baltimore City Mayor Stephanie Rawlings-Blake announced Project CORE as a multi-year State-city partnership to demolish thousands of vacant buildings in Baltimore City and replace them with green space and economic development projects. DHCD, MSA, and Baltimore City entered into a memorandum of understanding on February 10, 2016. As part of the agreement, MSA is responsible for the management of up to \$75 million of demolition associated with the removal of blighted properties within Baltimore City through 2019.

Project CORE is funded through the Strategic Demolition and Smart Growth Impact Fund within DHCD, which provides funding to assist in demolition, land assembly, housing development or redevelopment, and revitalization projects. The program seeks to catalyze activities that accelerate economic development, job creation, and smart growth in existing Maryland communities. Awards focus on smart growth projects that can have a high economic and revitalization impact in their existing communities. Program recipients may be local governments or groups of local governments and community development organizations. Funding is awarded through a competitive process.

Chapter 30 of 2016 established the Strategic Demolition and Smart Growth Impact Fund within DHCD and established a mandated appropriation for the fund of \$25.6 million in fiscal 2018 and \$28.5 million in fiscal 2019. Pursuant to that requirement, the 2019 *Capital Improvement Program* includes \$28.5 million in general obligation (GO) bond funding for the fund in fiscal 2019 but does not include any additional funding in fiscal 2020 or beyond. Of the \$28.5 million proposed for fiscal 2019, \$25.0 million is slated for Project CORE in Baltimore City and the remaining \$3.5 million is for projects in other parts of the State.

State Fiscal Effect: GO bonds are being used to provide funding for CORE in fiscal 2019, but the bill authorizes future spending in the operating budget. Therefore, it is assumed that PAYGO general funds are used to fund the program's continuation. It is further assumed that the Governor fully funds the program based on the authorization in the bill. Accordingly, PAYGO general fund expenditures increase by \$30.0 million in fiscal 2020 and by \$25.0 million annually from fiscal 2021 through 2024 to capitalize the fund. The bill takes effect July 1, 2018, but it is assumed that there is no effect in fiscal 2019 because there is already a mandated appropriation for Project CORE in that year.

Special fund revenues for, and expenditures from, the new fund increase correspondingly from fiscal 2020 through 2024. General fund revenues may increase minimally from interest earned on the new fund.

While the bill authorizes DHCD to use the fund for administrative expenses, given that the functions required under the bill are already performed by the department, DHCD advises that it does not anticipate needing to hire any additional staff at this time. DHCD did not hire any new staff to administer CORE at its inception, so this analysis assumes that DHCD can continue to implement the program with existing resources. To the extent that DHCD decides to use revenues in the new special fund to cover some of its personnel and other administrative costs related to CORE, as authorized by the bill, funds available for eligible projects decrease accordingly.

Small Business Effect: Small construction businesses have increased contracting opportunities with DHCD, Baltimore City, and MSA for demolition and related projects and, therefore, benefit from the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 1548 (Delegate Anderson)(By Request - Baltimore City Administration)
- Appropriations.

Information Source(s): Baltimore City; Department of Budget and Management;
Department of Housing and Community Development; Department of Legislative Services

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