

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 643

(Senator McCray, *et al.*)

Budget and Taxation

Appropriations

Housing - Community Development Program Act - Funding

This bill requires the Comptroller to distribute – in each of fiscal 2024 through 2027 – \$5.0 million from the State’s unclaimed property fund to the Community Development Program Fund (CDPF) within the Department of Housing and Community Development (DHCD). The bill also repeals uncodified language from prior chapter law specifying that DHCD is not required to incur costs for the Community Development Program (CDP) until money is appropriated in the State budget. **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: No effect in FY 2023. General fund revenues decrease by \$5.0 million annually from FY 2024 through 2027, with a corresponding increase in special fund revenues. Special fund expenditures increase by \$5.0 million annually from FY 2025 through 2028, as discussed below. **This bill establishes a mandated distribution from FY 2024 through 2027.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	\$0
SF Revenue	\$5.0	\$5.0	\$5.0	\$5.0	\$0
SF Expenditure	\$0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	\$0.0	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

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

Local Effect: Local government revenues may increase significantly from FY 2025 through 2028 to the extent local jurisdictions are eligible to receive financial assistance. Local government expenditures increase correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Community Development Program and Fund

Chapters 801 and 802 of 2018 established CDP within 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. DHCD is not required to provide staff or incur operating expenses to administer CDP until money is appropriated in the State budget for the fund. The program has not received funding since its creation, and the fiscal 2024 budget as introduced does not include any funding for the program.

Community Development Board

Chapters 801 and 802 also established a Community Development Board in the program. 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 Program Fund

Chapters 801 and 802 also established CDPF 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. The stated purpose of CDPF 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) DHCD's administrative expenses in administering the program and (2) financial assistance for community development projects and community development organizations as specified under the Acts. 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.

Unclaimed Property Fund

Title 17 of the Commercial Law Article generally governs abandoned property in the State.

Within one year of taking custody of abandoned personal property, the Comptroller must sell the property at auction. A person who claims a legal interest in property delivered to the Comptroller must file a claim to the property or to the proceeds from its sale. For property sold at auction, if the Comptroller allows the claim, the Comptroller must pay the claimant an amount equal to the sales price.

The Comptroller has an electronic [unclaimed property database](#) on the agency's website.

All funds received under Title 17 must be credited by the Comptroller to a special fund (referred to as the unclaimed property fund). The Comptroller must retain up to \$50,000 annually to pay any claims allowed under Title 17. After deducting administrative costs, the Comptroller must make specified distributions from the fund:

- \$8.0 million to the Maryland Legal Services Corporation Fund;
- all unclaimed money from judgments of restitution to the State Victims of Crime Fund to assist victims of crimes and delinquent acts to protect the victims' rights as provided by law. If a victim entitled to restitution that has been treated as abandoned property is located after the money has been distributed, the Comptroller must reduce the next distribution to the State Victims of Crime Fund by the amount recovered by the victim;
- for fiscal 2022 and 2023, \$250,000 of the remaining funds to the Tax Clinics for Low-Income Marylanders Fund; and
- for fiscal 2024 only, \$14.0 million to the Access to Counsel in Evictions Special Fund.

After making the required distributions, the Comptroller must distribute the remaining net funds to the general fund. In fiscal 2022, the Comptroller reverted \$146.8 million to the general fund after making the required distributions.

State Fiscal Effect: Based on the assumption that annual net revenues to the unclaimed property fund continue to exceed \$5.0 million annually, general fund revenues decrease by \$5.0 million annually from fiscal 2024 through 2027 due to the redistribution of funds from the unclaimed property fund to CDPF instead of to the general fund. Special fund revenues to CDPF increase correspondingly in those years. Under current law, the distribution of funds from the unclaimed property fund occurs at the end of the fiscal year. Thus, this analysis assumes that DHCD retains funds received at the end of each fiscal year for spending in the following fiscal year. Accordingly, special fund expenditures from CDPF increase by \$5.0 million annually from fiscal 2025 through 2028.

DHCD is authorized to use CDPF for administrative costs. Therefore, the staffing costs described below increase under the bill but are absorbed within the appropriation provided for the fund.

Special fund administrative expenditures increase by \$172,569 in fiscal 2025, assuming a July 1, 2024 starting date. This estimate reflects the cost of hiring one contractual project manager and two half-time contractual financial analysts to operate CDP with funding provided under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Positions	2.0
Salaries and Fringe Benefits	\$150,586
Operating Expenses	<u>21,983</u>
Total FY 2025 DHCD Admin. Expenditures	\$172,569

Future year administrative expenditures reflect (1) salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) the termination of the contractual positions at the end of fiscal 2028.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

After deducting costs for administrative expenses, about \$4.8 million annually is assumed to be available for other CDP activities from fiscal 2025 through 2028.

Local Fiscal Effect: Local government revenues may increase significantly from fiscal 2025 through 2028 to the extent local jurisdictions are eligible to receive financial assistance under CDP as a result of the bill. Although not explicitly identified as potential funding recipients, it is assumed that local jurisdictions could be sponsors of eligible projects. Local expenditures increase correspondingly for community development projects.

Small Business Effect: Small businesses that are able to secure funding under CDP 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 funding provided by the bill.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 387 and HB 472 of 2020.

Designated Cross File: HB 838 (Delegate Henson) - Appropriations.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Office of the Attorney General (Consumer Protection Division); Comptroller's Office; Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; State Department of Assessments and Taxation; Department of Legislative Services

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