

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 706

(Delegate A. Jones)

Ways and Means

Education, Energy, and the Environment and
Budget and Taxation

**Community Development - Sustainable Communities - Business Facade
Improvement Program**

This bill establishes the Business Facade Improvement Program in the Department of Housing and Community Development (DHCD) to assist qualified businesses with improving the outside appearance of the businesses' buildings and facilities. DHCD must distribute funds from the program to counties, including Baltimore City, and municipalities that have at least one sustainable community and that apply for the funds. Each local government that receives funds must then distribute grants to qualified businesses that apply for a grant. Both DHCD and the local governments that receive program funds must establish an application process and award criteria, as appropriate. DHCD may adopt implementing regulations. Beginning in fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$5.0 million to the program. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Bond expenditures for DHCD increase by \$1.5 million in FY 2024, and general fund expenditures for DHCD increase by \$5.0 million annually beginning in FY 2025, under the assumptions discussed below. The FY 2024 capital budget includes \$1.5 million in bond funding for grants to local governments, contingent on enactment of this bill. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	5.0	5.0	5.0	5.0
Bond Exp.	1.5	0	0	0	0
Net Effect	(\$1.5)	(\$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 revenues and expenditures increase by \$1.5 million in FY 2024 and by \$4.9 million annually thereafter from grants received and distributed under the program. Some local expenditures may further increase for additional staff to administer the competitive application process at the local level.

Small Business Effect: Meaningful.

Analysis

Current Law: 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. Every county and Baltimore City has at least one sustainable community designation, and most have several. There is also significant geographic overlap between municipalities and sustainable communities.

DHCD’s State Revitalization Programs (SRP) under its Division of Neighborhood Revitalization offer a range of funding to further the revitalization goals of communities across the State. All projects awarded SRP funds must be located in a sustainable community and help achieve the outcomes identified in a sustainable community’s action plan. SRP funds are provided through a variety of DHCD programs, such as the Community Legacy Program and the Baltimore Regional Neighborhood Initiative. According to the DHCD [website](#), common types of projects include, but are not limited to, commercial façade improvement programs to enhance the marketability of a downtown or main street. DHCD advises that it provides about \$3.0 million to \$4.0 million in façade improvement funding annually.

State Expenditures: The fiscal 2024 capital budget includes \$1.5 million in bond funding for grants to political subdivisions to assist businesses located in sustainable communities with improving the outside appearance of the businesses’ building and facilities, contingent on enactment of this bill. Beginning in fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$5.0 million to the Business Facade Improvement Program. This analysis assumes that (1) existing DCHD staff absorb administrative responsibilities associated with the contingent capital funding in fiscal 2024 and (2) a full-time staff is required beginning in fiscal 2025, concurrent with the mandated program funding.

Accordingly, bond expenditures for DHCD increase by \$1.5 million in fiscal 2024, which reflects the use of contingent capital funds, and general fund expenditures for DHCD increase by \$5.0 million in fiscal 2025, which reflects the bill’s fiscal 2025 funding mandate. This estimate reflects the cost of hiring one community program administrator in HB 706/ Page 2

fiscal 2025 to oversee the program, which includes a competitive application process and evaluations. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and \$4.9 million in grants.

	<u>FY 2024</u>	<u>FY 2025</u>
Position	0.0	1.0
Salary and Fringe Benefits	\$0	\$103,010
Operating Expenses	0	7,685
Grants to Local Governments	<u>1,500,000</u>	<u>4,889,305</u>
Total State Expenditures	\$1,500,000	\$5,000,000

Future year expenditures reflect a salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the annual \$5.0 million mandated appropriation, which leaves approximately \$4.9 million for grants each year after administrative costs.

The bill does not specify whether the mandated funding can (or cannot) be used for administrative expenses; even so, this analysis reflects the bill establishing that mandated funding is for the program (not necessarily just for the grants), which is assumed to encompass administrative expenses. Otherwise, total general fund expenditures increase beyond \$5.0 million annually to cover those costs (by about \$109,000 to \$119,000 annually through fiscal 2028).

Local Fiscal Effect: Local revenues and expenditures increase by \$1.5 million in fiscal 2024 and by \$4.9 million annually thereafter from grants received and distributed under the program. Some local expenditures may further increase for additional staff to administer the competitive application process at the local level.

Small Business Effect: Small businesses in sustainable communities potentially benefit from access to additional grant funding for façade improvements. While grant amounts and their allocations are unknown, a sizeable percentage of overall funding each year can be expected to benefit small businesses.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 22, 2023

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Analysis by: Stephen M. Ross

Direct Inquiries to:

(410) 946-5510

(301) 970-5510