

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1287 (Delegate Lafferty)
 Environment and Transportation

Housing - Community Development Program Act - Funding

This bill requires the Comptroller to distribute any funds exceeding \$80.0 million in the Abandoned Property Special Fund to the Community Development Program Fund (CDPF), rather than the general fund. The bill also repeals uncodified language specifying that the Department of Housing and Community Development (DHCD) is not required to incur costs for the Community Development Program (CDP) until money is appropriated in the State budget.

Fiscal Summary

State Effect: General fund revenues decrease by about \$14.7 million in FY 2020 and by an estimated \$19.6 million in subsequent years. Special fund revenues and expenditures increase correspondingly for the program, including for administrative expenses.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$14.7)	(\$19.6)	(\$19.6)	(\$19.6)	(\$19.6)
SF Revenue	\$14.7	\$19.6	\$19.6	\$19.6	\$19.6
SF Expenditure	\$14.7	\$19.6	\$19.6	\$19.6	\$19.6
Net Effect	(\$14.7)	(\$19.6)	(\$19.6)	(\$19.6)	(\$19.6)

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

Local Effect: Local government revenues may increase significantly to the extent local jurisdictions are eligible to receive financial assistance as a result of the bill. Expenditures increase correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Community Development Program

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.

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. 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 Governor's proposed fiscal 2020 budget 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 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) 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.

Abandoned 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 [abandoned property database](#) on the agency's website.

All funds received under Title 17 must be credited by the Comptroller to the Abandoned Property Special 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 distribute \$2.0 million to the Maryland Legal Services Corporation Fund.

Subsequently, the Comptroller must distribute 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.

After making the required distributions, the Comptroller must distribute the remaining net funds to the general fund.

State Fiscal Effect: The Comptroller's Office advises that it distributed about \$113.0 million to the general fund in fiscal 2018 as required by § 17-317 of the Commercial Law Article. However, this amount was higher than the prior two fiscal years, when \$94.7 million and \$91.2 million was distributed to the general fund, respectively.

On average, then, about \$99.6 million was distributed to the general fund over the past three fiscal years. Under the bill, any amount exceeding \$80.0 million must instead be distributed to CDPF. Thus, assuming the Abandoned Property Special Fund maintains a

similar level of revenues in future years, about \$19.6 million is expected to be distributed to DHCD annually, although actual amounts will vary from year to year.

General fund revenues decrease by about \$14.7 million in fiscal 2020 (reflecting the bill's October 1, 2019, effective date) and by approximately \$19.6 million in subsequent years. Special fund revenues and expenditures for CDPF increase correspondingly. DHCD is authorized to use CDPF for administrative costs. Therefore, staffing costs increase under the bill but are absorbed within the appropriation provided for the fund.

DHCD indicates it expects to hire four additional staff in order to operate CDP with the funding provided under the bill. Thus, special fund administrative expenditures increase by \$230,139 in fiscal 2020, which accounts for the bill's October 1, 2019 effective date.

This estimate reflects the cost of hiring two project managers, one administrative assistant, and one fund manager. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Positions	4.0
Salaries and Fringe Benefits	\$208,704
Operating Expenses	<u>21,435</u>
Total FY 2020 Admin. Expenditures	\$230,139

After deducting costs for administrative expenses, about \$14.5 million is assumed to be available for other CDP activities in fiscal 2020.

Future year administrative expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. After deducting costs for administrative expenses, about \$19.3 million annually is assumed to be available for other CDP activities.

Local Fiscal Effect: Local government revenues may increase significantly 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.

In addition, although not a direct impact, local revenues may also increase from increased economic development.

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: None.

Cross File: SB 632 (Senator Eckardt) - Budget and Taxation.

Information Source(s): Comptroller's Office; Department of Housing and Community Development; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2019
md/mcr

Analysis by: Eric F. Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510