

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4232-02
BILL NO.: SB 1052
SUBJECT: Cities, Towns and Villages; Economic Development.
TYPE: Original
DATE: April 19, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$106,421) to (unknown)	(\$109,272) to (unknown)	(\$112,109) to (unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$106,421) to (Unknown)	(\$109,272) to (Unknown)	(\$112,109) to (Unknown)

* Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal establishes the Live Near Your Work (LNYW) Program which is designed to encourage people to live within 10 miles of their employer by providing a grant of \$3,000 for expenses related to closing costs for residential housing. The objective of the program is to arrest blight and maintain employment in certain areas encouraging employees to live in the area surrounding the employer.

The LNYW area is geographically defined by the governmental jurisdiction which then applies to the Department of Economic Development (DED) for the LNYW area designation and a grant allocation. The designated area must exhibit certain indications of relative decline or distress.

The LNYW grant is composed of funds contributed by the Department of Economic Development (DED), the governmental jurisdiction(s), and participating employer(s) in an amount of \$1,000 each, for a total of \$3,000. These funds are granted to an employee of a participating business to defray the costs of purchasing a home in the LNYW area. This grant may be in the form of a forgivable loan and must be used as a portion of the down payment or for closing costs.

The DED states in order for an employee to be eligible for this grant he or she must relocate to a home in the LNYW area from an area from an area with a higher per capita income than the LNYW area. The employee receiving the grant is required to hold title to an eligible residence for a specified period of time.

The Director of the Department of Economic Development may set periodic deadlines and content requirements for applications from local jurisdictions to participate in the LNYW program.

To participate in the LNYW program, an employer must work with the governmental jurisdiction to develop a program and execute an agreement. More than one employer may participate in the program. A public sector employer may also use the program.

The DED assumes responsibility for review of applications submitted by local jurisdictions and designation of Live Near Your Work (LNYW) areas. The DED will set deadlines for and accept periodic applications. The DED is required to set guidelines for grant funds. The DED will be required to execute agreements with local jurisdictions for operation of the program. The DED will review reports from the local jurisdictions. The DED shall allocate grant funds to approved programs. The DED is also required to prepare an operational handbook or manual.

ASSUMPTION (continued)

Grant funds of \$1,000 from DED, the employer, and the local jurisdiction will be given to a qualified homebuyer locating in a LNYW area. The buyer will be required to have \$1,000 of his/her own funds to contribute at the time of the closing of the house purchase.

The program is dependent on appropriations being provided to the DED for their portion of the grant funds. The DED assumes funds of \$200,000 will be appropriated to fund the DED portion of 200 grants. Based on this assumption, the DED assumes the need for one (1) Economic Development Incentive Specialist I (at \$29,184 annually), and one (1) Community Development Representative II (at \$34,992 annually) to conduct activities required by the proposal. The DED state the proposal is almost identical to a law currently existing in Maryland. The DED personnel needs and appropriated funds are arrived at by contacting Maryland and patterning the costs after their program. Costs could vary depending on the popularity/participation in the program or the amount of funds appropriated.

Officials from the **Department of Labor and Industrial Relations** state this proposal would not fiscally impact their agency.

Oversight assumes the General Assembly would appropriate an unknown amount of money from the General Revenue Fund to implement this program. Oversight also assumes the DED would not require additional floor space to accomodate the requested FTE. Oversight does not have information regarding the projected involvement from local governments and/or private companies and have estimated the cost to the state and local governments as an unknown expense.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Costs - Department of Economic Development</u>			
Personal Service (2 FTE)	(\$54,795)	(\$67,424)	(\$69,110)
Fringe Benefits	(\$16,849)	(\$20,733)	(\$21,251)
Expense and Equipment	<u>(\$34,777)</u>	<u>(\$21,115)</u>	<u>(\$21,748)</u>
Total Costs - DED	(\$106,421)	(\$109,272)	(\$112,109)
<u>Costs - Grants to LNYW candidates</u>	(unknown)	(unknown)	(unknown)

--SUBJECT TO APPROPRIATION--

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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	(\$106,421) to	(\$109,272) to	(\$112,109) to
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL GOVERNMENTS

<u>Costs - Grants to LNYW candidates</u>	(unknown)	(unknown)	(unknown)
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FISCAL IMPACT - Small Business

A direct fiscal impact would be expected to those small businesses that chose to participate in the Live Near Your Work program within this proposal.

DESCRIPTION

This proposal establishes the Live Near Your Work (LNYW) Program which is designed to encourage people to live within 10 miles of their employer by providing a grant of \$3,000 for expenses related to closing costs for residential housing. The objective of the program is to arrest blight and maintain employment in certain areas encouraging employees to live in the area surrounding the employer.

The LNYW area is geographically defined by the governmental jurisdiction which then applies to the Department of Economic Development (DED) for the LNYW area designation and a grant allocation. The designated area must exhibit certain indications of relative decline or distress.

The LNYW grant is composed of funds contributed by the Department of Economic Development (DED), the governmental jurisdiction(s), and participating employer(s) in an amount of \$1,000 each, for a total of \$3,000. These funds are granted to an employee of a participating business to defray the costs of purchasing a home in the LNYW area. This grant may be in the form of a forgivable loan and must be used as a portion of the down payment or for closing costs.

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DESCRIPTION (continued)

In order for an employee to be eligible for this grant he or she must relocate to a home in the LNYW area from an area with a higher per capita income than the LNYW area. The employee receiving the grant is required to hold title to an eligible residence for a specified period of time.

The Director of the Department of Economic Development may set periodic deadlines and content requirements for applications from local jurisdictions to participate in the LNYW program.

To participate in the LNYW program, an employer must work with the governmental jurisdiction to develop a program and execute an agreement. More than one employer may participate in the program. The program may also be used by a public sector employer.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Labor and Industrial Relations



Jeanne Jarrett, CPA
Director
April 19, 2000