

# Maryland's Community Development Budget

*Shifting funds and future threats*

Benjamin Orr

*Community Development and  
Community Action Day*

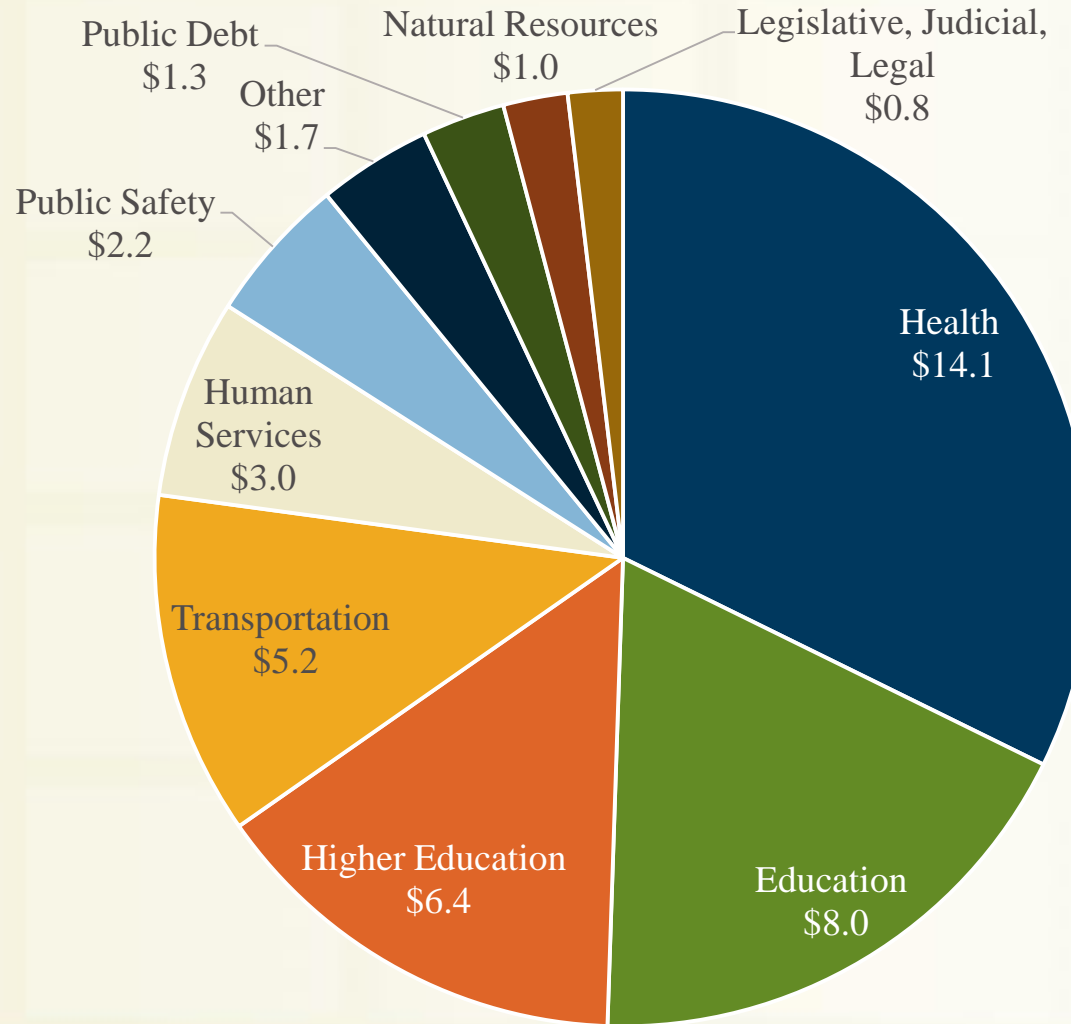
Annapolis, MD

February 8, 2017



# \$43 Billion Operating Budget

*Proposed FY 2018*  
*\$ in billions*

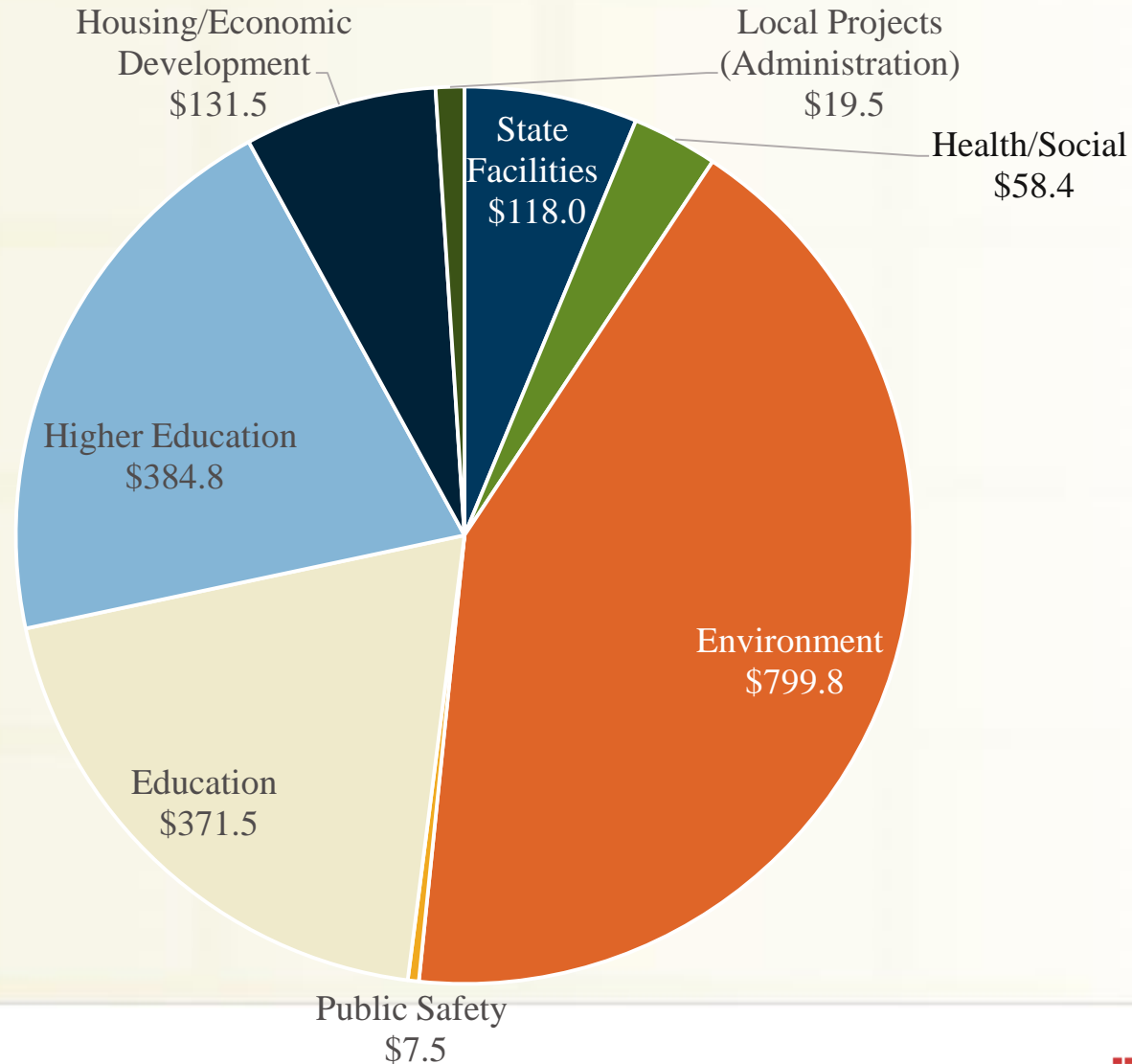


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# \$4.5 Billion Capital Budget

*Proposed FY 2018*  
*\$ in millions*

Governor did not set aside \$  
for legislators' local projects



Transportation  
=  
\$2.7 billion

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# Debt Affordability Criteria

*Fiscal Year 2018*

- Balancing act between needs and ability to pay (also bond ratings)
- Borrowing caps on state debt (driven by GO bonds)
  - Debt service: 8% of State revenues
  - Debt outstanding: 4% of State personal income
- Legislators recommended: \$1,065 million GO bonds
  - 1% growth over FY 2017
- Governor's proposal: \$995 million GO bonds (zero growth)

[http://www.treasurer.state.md.us/media/95474/2016\\_cdac\\_report.pdf](http://www.treasurer.state.md.us/media/95474/2016_cdac_report.pdf)

<http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2016-spending-affordability-interim-report.pdf>

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# Community Development Budget

# \$426.9 M in Operating Budget

*Proposed FY 2018*

- DHCD Division of Neighborhood Revitalization - Total - \$82.5 million
  - General Fund - \$47.2 M
  - Special Fund - \$13.9 M
  - **Federal Fund - \$21.5 M**
  
- DHCD Division of Development Finance - Total - \$344.4 million
  - General Fund - \$3 M
  - Special Fund - \$70.5 M
  - **Federal Fund - \$268.7 M**
  - Reimbursable Fund - \$2.2 M

# \$110 M in Capital Budget

*Proposed FY 2018*

## ■ \$69.8 M in GO Bond Funds

- Rental Housing Programs - \$10 M
- Project C.O.R.E. and Strategic Demolition - \$25.6 million
- Homeownership Programs - \$8.5 M
- Other Housing - \$13.6 million
- Other Community/Neighborhood Dev't - \$12.1 million

## ■ \$40.2 M in Special and Federal Funds

- Rental Housing Programs - \$20.0 M
- Homeownership Programs - \$1.5 M
- Other Housing - \$7.8 million
- Other Community/Neighborhood Dev't - \$10.9 million



# Breakdown of Budget by Program

## *Proposed FY 2018 Budget*

- Baltimore Regional Neighborhood Initiative Program
  - Moved to the Capital Budget
  - The budget seeks to alter the mandate for this program to reduce FY 18 funding from \$12 million to \$3 million
- SEED Community Development Anchor Institution Fund
  - Entire \$5 million mandate for FY 18 has been cut
- Shelter and Transitional Housing Facilities Grant Program
  - Funding has been moved to the Capital Budget but remains at \$3 million

# Breakdown of Budget by Program

## *Proposed FY 2018 Budget*

- Strategic Demolition and Smart Growth Impact Fund
  - Moved to the Capital Budget
  - \$25.6 million, with \$22.1 million allotted for Baltimore City and \$3.5 million for the rest of the state
  
- Neighborhood Business Development Program
  - \$3.1 million has been moved from the General Fund to the Capital Budget
  - \$1.9 million is coming from special funds, keeping overall funding at FY 17 level (\$5 million)

# Breakdown of Budget by Program

## *Proposed FY 2018 Budget*

- Community Legacy Program - \$6 million from GO Bond Funds in the Capital Budget
- Community Development Block Grant Program - **\$9 million Federal Funds** in the Capital Budget
- Partnership Rental Housing - \$6 million from GO Bond Funds in the Capital Budget
- Rental Housing Programs
  - \$10 million from GO Bond Funds
  - \$15.5 million from Special Funds
  - **\$4.5 million from Federal Funds**

# Baltimore Community Development Package

*Proposed FY 2018 Budget*

- Funding for the SEED Community Development Anchor Institution Fund cut completely
- Elimination of the planned increase in funding for the Baltimore Regional Neighborhood Initiative Program
- Funding for the Strategic Demolition and Smart Growth Impact Fund remains intact

# Threats from Washington

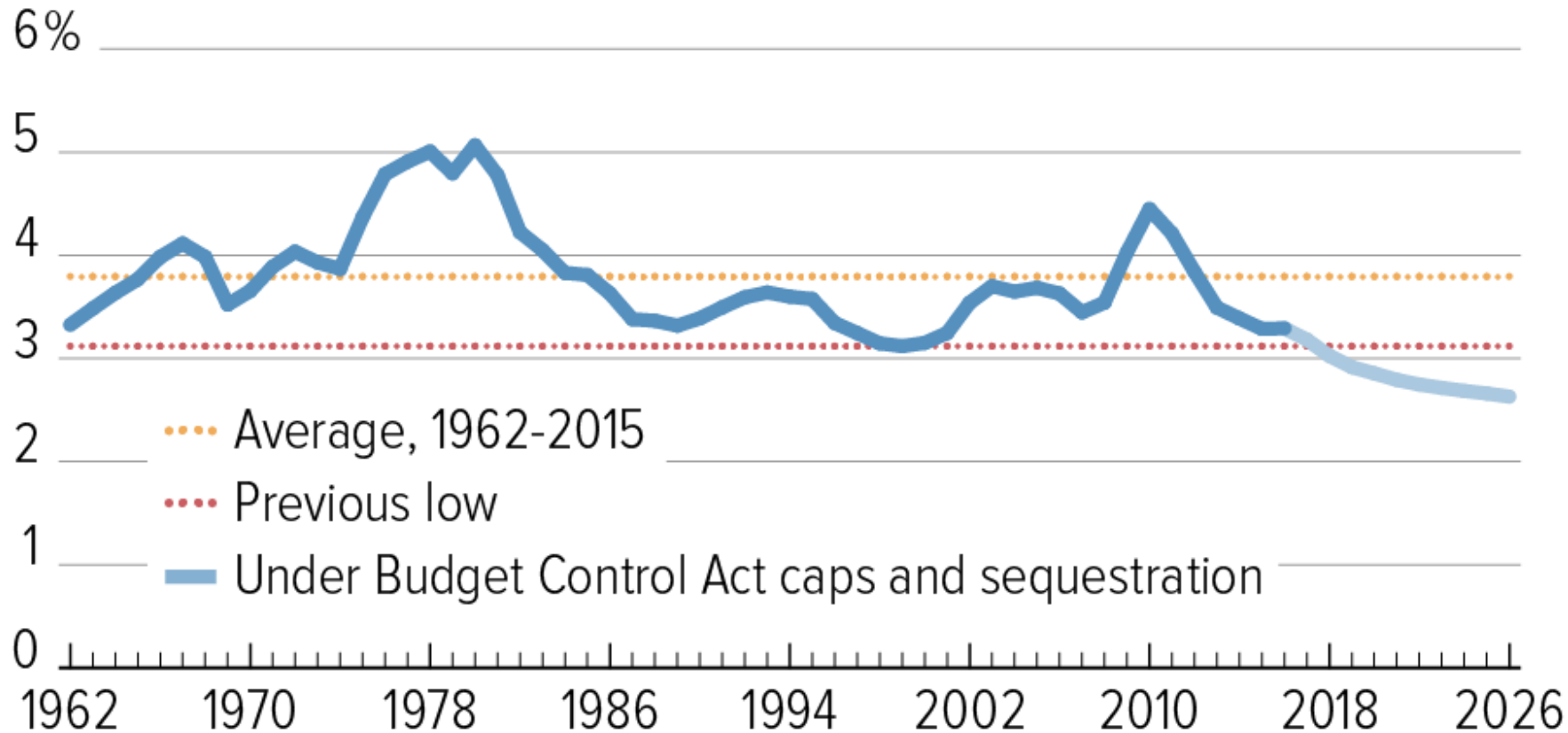
# Massive Threats on the Horizon

- Repealing the Affordable Care Act (including Medicaid expansion) with no real replacement
  - Half a million Marylanders lose health insurance
  - \$1.4 Billion budget hole
- Ending the safety net as we know it, esp. SNAP & Medicaid
- Deep budget cuts to other programs that help struggling people
- Major tax cuts for the wealthy that would force deeper cuts

# It all comes down to non-defense discretionary spending (NDD)

- NDD spending already at historically low levels
- Already scheduled to get hit even harder by the return of the sequester
- Republicans have talked about undoing the sequester for defense spending but leaving it – or even deepening it – for NDD spending
- Huge consequences for states (receive 25% of NDD)

# NDD Spending Falling to Historic Lows as Percentage of GDP



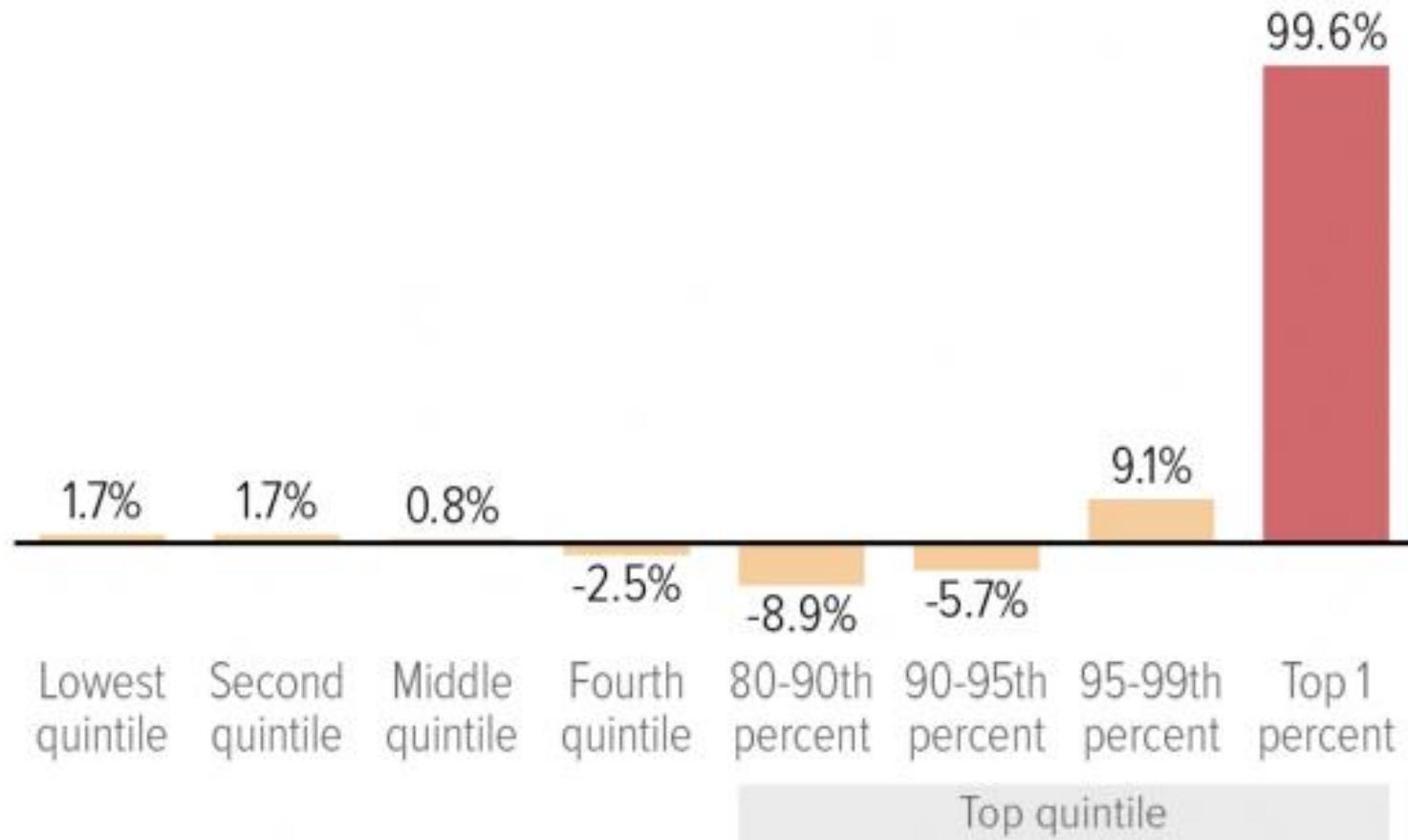
Note: Data available only back to 1962. Sequestration refers to budget cuts required under the 2011 Budget Control Act and includes modifications to it in the Bipartisan Budget Acts of 2013 and 2015.

Source: CBPP based on Office of Management and Budget and Congressional Budget Office data.



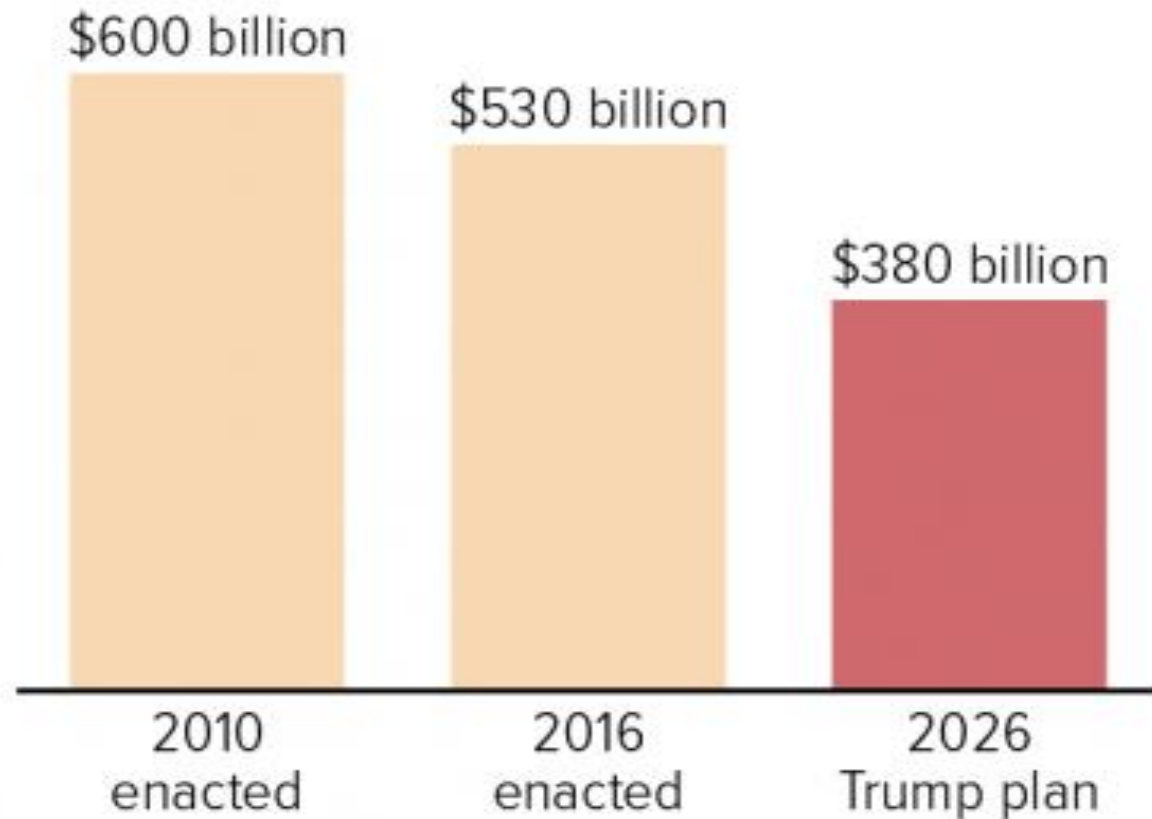
# Massive tax cuts for the wealthy...

Share of total federal tax cut by income group, 2025



# Trump Plan Would Cut Non-Defense Discretionary Funding Deeply Over Time

Budget authority in 2017 dollars



... Which means even less funding for human needs programs

# Threats from Washington

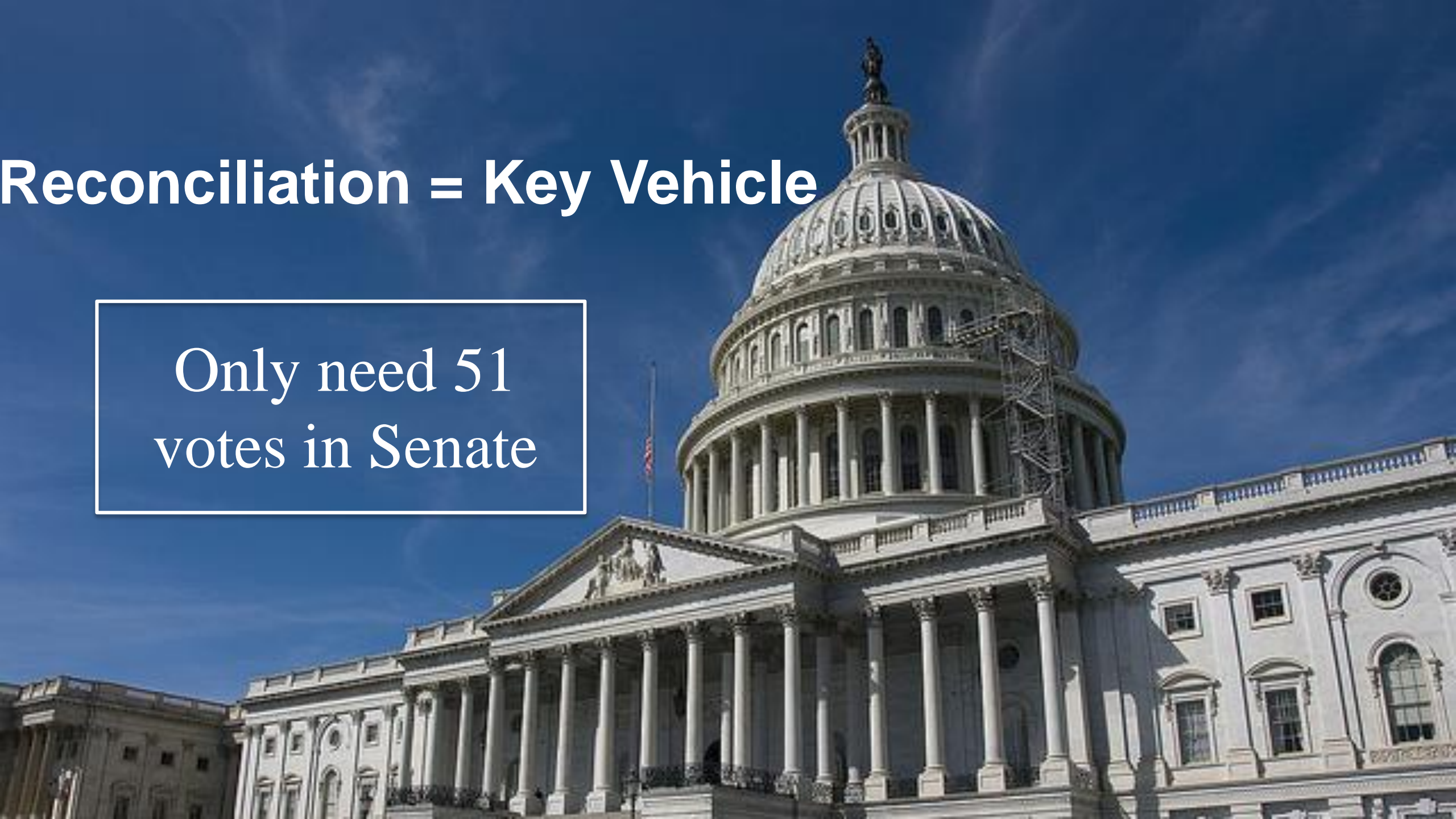
## *Community Development*

- Rental assistance, CDBG, CSBG, and HOME are all part of this NDD spending category
- Rental assistance funding has had to increase each year just to keep even
  - Congress appears to be very committed to trying to maintain the number of vouchers for rental assistance so that no families currently receiving assistance lose it
  - But this creates problems in trying to fund other HUD programs, such as CDBG, CSBG, and HOME
- The National Housing Trust Fund is a bit of an anomaly because it is funded with fees from Fannie Mae and Freddie Mac. It is fairly controversial in Congress, though, so its funding source is always at risk.

# Threats from Washington

- Maryland is at risk of losing billions including:
  - \$1.4 billion if ACA is repealed
  - \$21.5 million for DHCD Neighborhood Revitalization
  - \$268.7 million for DHCD Division of Development Finance
  - \$9 million CDBG
  - \$4.5 million Rental Housing Programs

# Reconciliation = Key Vehicle



Only need 51  
votes in Senate

# Tentative Timeline

February

- Committees begin work on FY2017 reconciliation bill to facilitate ACA repeal
- Trump to release FY2018 budget “outline” on Feb. 28 (could slip to March)

March &  
April

- First reconciliation bill (ACA repeal) potentially passes
- FY2018 budget resolution – likely with big tax and budget cuts – will receive a vote, setting up a second reconciliation bill

Summer

- FY2018 reconciliation bill – potentially with damaging cuts to taxes and services – could pass as early as Memorial Day

# Threats from Washington: Solutions?

- Protect structure of the safety net (vital)
- Increase the NDD funding caps (unlikely)
  - Democrats may have a little leverage because appropriations bills require 60 votes in the Senate
  - Republicans most interested in increasing DEFENSE spending, which would put even more pressure on NDD spending if they continue deficit reduction
  - President Trump also said during the campaign that he would pay for his massive tax cuts by cutting more from NDD spending
- MD must get creative to make up the difference, ask all to pay their fair share to protect building blocks of modern economy

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