

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1176 (Delegate Krimm, *et al.*)
 Environment and Transportation

Rental Deposit Assistance Loan Programs and Fund

This bill authorizes a county or municipality to enact an ordinance or a resolution to establish a rental deposit assistance loan program. The purpose of such a program is to provide loans to low-income individuals or families in need of assistance in financing a security deposit on rental housing. The bill also establishes a Rental Deposit Assistance Loan Fund within the Department of Housing and Community Development (DHCD) to assist counties and municipalities to create and finance their rental deposit assistance loan programs. For fiscal 2018 and each fiscal year thereafter, the Governor must include in the annual budget an appropriation to the fund in the amount of \$100,000.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by \$100,000 annually beginning in FY 2018 to capitalize the new fund. Special fund revenues to the new fund and expenditures from the fund increase correspondingly. **This bill establishes a mandated appropriation beginning in FY 2018.**

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$0	\$100,000	\$100,000	\$100,000	\$100,000
GF Expenditure	\$0	\$100,000	\$100,000	\$100,000	\$100,000
SF Expenditure	\$0	\$100,000	\$100,000	\$100,000	\$100,000
Net Effect	\$0	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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

Local Effect: Local governments that choose to establish programs as a result of the bill likely incur administrative costs, but are eligible to receive funding from DHCD to support

their programs. To receive such funding, however, local governments must contribute matching funds, as specified.

Small Business Effect: Minimal.

Analysis

Bill Summary: An ordinance or a resolution enacted under the bill must include (1) eligibility requirements for participation in the program; (2) loan terms and conditions; and (3) specify that money repaid from loans made under the program are to be used only for the program.

The Rental Deposit Assistance Loan Fund, which is administered by the Secretary of Housing and Community Development, consists of money appropriated in the State budget to the fund, investment earnings, and money from any other source accepted for the benefit of the fund. The fund may be used only to provide matching funds to a county or municipality that has enacted a program under the bill. Expenditures from the fund may be made only in accordance with the State budget.

The Secretary of Housing and Community Development must establish procedures for counties and municipalities to apply for money from the fund. A county or municipality that applies for money from the fund must provide the Secretary with (1) the eligibility requirements for participation in the program and (2) any other information that the Secretary considers necessary. The Secretary must make grants from the fund to counties and municipalities to support their programs. The amount of each grant must be in proportion to the number of counties and municipalities that apply for money from the fund.

A county or municipality that receives a grant from the fund must expend an amount equal to the amount of the grant plus an equal amount of county or municipal funds for the program. Each county or municipality must submit to the Secretary of Housing and Community Development proof of (1) expenditures of an equal amount of funding from the county or municipality for the program and (2) expenditures of the grant for the program.

Current Law: Under the Real Property Article, a “security deposit” is defined as any payment of money, including payment of the last month’s rent in advance of the time it is due, given to a landlord by a tenant in order to protect the landlord against nonpayment of rent, damage due to breach of lease, or damage to the leased premises, common areas, major appliances, and furnishings.

A landlord may not impose a security deposit in excess of the equivalent of two months' rent per dwelling unit, regardless of the number of tenants. If a landlord charges more than the equivalent of two months' rent per dwelling unit as a security deposit, the tenant may recover up to three times the extra amount charged, plus reasonable attorney's fees.

Within 45 days after the end of a tenancy, a landlord must return the security deposit to the tenant together with simple interest which has accrued at the daily U.S. Treasury yield curve rate for 1 year, as of the first business day of each year, or 1.5% a year, whichever is greater, less any damages rightfully withheld.

If the landlord, without a reasonable basis, fails to return any part of the security deposit (plus accrued interest) within 45 days after the termination of a tenancy, the tenant may sue for up to three times of the withheld amount, plus reasonable attorney's fees.

State Fiscal Effect: As a result of the bill's mandated appropriation, general fund expenditures increase by \$100,000 annually beginning in fiscal 2018, in order to capitalize the Rental Deposit Assistance Loan Fund. Special fund revenues to the new fund and expenditures from the fund to provide assistance to counties and municipalities for their programs increase correspondingly. Although the amount provided to local governments each year is unknown, it is assumed that program expenditures generally match available funds.

DHCD can administer the fund within existing staff.

Local Fiscal Effect: Local governments that establish a rental deposit assistance loan program incur administrative costs but benefit from being eligible to apply for funding from DHCD. Jurisdictions that already operate similar programs may have lower administrative costs than those that do not. In order to receive funding from DHCD under the bill, local governments must also contribute matching funds, as specified. Funds provided through the program should, over time, be paid back, unless loan recipients fail to pay back the full amount of their loans. As loans are repaid over time, the amount available to make additional loans under local programs should increase.

The City of Takoma Park advises that it currently operates a similar program, although it provides grants rather than loans. Montgomery County also advises that it operates a similar program, funded locally at approximately \$8.5 million. The county further advises that it expects the administrative costs (*e.g.*, billing and collecting payments) of implementing a new program under the bill's provisions could be burdensome.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Montgomery and Howard counties, Maryland Association of Counties, City of Takoma Park, Maryland Municipal League, Department of Budget and Management, Department of Housing and Community Development, Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2016
min/lgc

Analysis by: Eric Pierce

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