

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 577

(Delegate Grossman, et al.)

Environment and Transportation

Education, Energy, and the Environment

Housing and Community Development - Study on the Establishment of a
Homeless Shelter Licensing Program

This bill establishes a Study on the Establishment of a Homeless Shelter Licensing Program in the Department of Housing and Community Development (DHCD). The study must (1) review current habitability and admissions standards of homeless shelters in the State; (2) recommend a basic habitability and admission standard for homeless shelters in the State; and (3) recommend a plan to establish a program within DHCD to license homeless shelters in the State. DHCD must hire one new full-time permanent employee to conduct the study. By July 1, 2025, the study must report its findings and recommendations to the Assistant Secretary of the Homeless Solutions Division within DHCD. The bill takes effect July 1, 2024, and terminates July 31, 2025.

Fiscal Summary

State Effect: General fund expenditures increase by \$77,900 in FY 2025; future years reflect annualization, inflation, and ongoing costs. Revenues are not affected.

Table with 6 columns: (in dollars), FY 2025, FY 2026, FY 2027, FY 2028, FY 2029. Rows include Revenues, GF Expenditure, and Net Effect.

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

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: None.

Analysis

Current Law:

Oversight of Homeless Shelters and Continuums of Care – Generally

There is no State entity charged with the licensure or regulation of homeless shelters. Recipients of federal Continuum of Care (CoC) grants provide services for homeless individuals within a specified geographic area, including shelter operations, street outreach, rapid rehousing, and homelessness prevention. There are 10 CoCs in the State, with DHCD administering 3 that offer consolidated services to the Eastern Shore and Western Maryland.

Generally, each CoC geographic area has a lead agency that is responsible for applying to the U.S. Department of Housing and Urban Development (HUD) for federal funding and then distributing the funding to eligible recipients, which includes homeless shelters. By accepting HUD funding, CoCs and subsequent grant recipients must follow specified federal requirements generally related to the quality of shelter provided.

Homelessness Solutions Program

The Division of Homeless Solutions within DHCD administers the [Homelessness Solutions Program](#) (HSP), which serves as a statewide response to homelessness in Maryland, providing technical support and funding to CoCs and local homeless coalitions, which coordinate funding and resources for service providers across the State. The goals of HSP are to (1) reduce the number of individuals/households who become homeless or return to homelessness and (2) shorten the length of time an individual or household is homeless. HSP funds can be used for rapid rehousing, homelessness prevention, and other related services. Homeless shelters that accept HSP funds must comply with specified minimum habitability standards.

Shelter and Transitional Housing Facilities Grant Program

DHCD also operates the Shelter and Transitional Housing Facilities Grant Program, which provides capital financing for local governments and nonprofit organizations to develop shelter, transitional, or other housing facilities for homeless individuals and families. Grantees use the funds to acquire, design, construct, renovate, and equip projects for which loan financing is not feasible. Funding is generally limited to 50% of a project's cost.

Eligible projects include apartments, condominiums, townhouses, single-family detached homes, single-room occupancy facilities, and group or shared housing that provide housing for homeless households and support services. A project may include uses other than

housing for the homeless, such as traditional rental housing or nonresidential uses; however, program funds are only provided to the extent allowed for those units identified as transitional housing units and the necessary space and facilities required to operate the program-assisted units. Projects involving new construction or substantial rehabilitation are subject to a thorough review by DHCD. All financing offered under the program is in the form of grants. The Governor must include \$3.0 million in the annual budget for the grant program, and the fiscal 2025 capital budget as introduced includes \$3.0 million in general obligation bonds for the grant program.

State Expenditures: Even though the bill requires the study to report its findings and recommendations by July 1, 2025 – and even though the bill terminates July 31, 2025 – the bill nevertheless requires DHCD to hire a *permanent* full-time employee. Therefore, this analysis includes a permanent position that is assumed to be maintained by DHCD in the out-years, with duties – once the study has been completed – to be determined by the department. Thus, costs continue in the out-years even though the bill’s requirement for a one-time study could otherwise be completed by hiring temporary contractual staff that would no longer be needed once the study has been completed and the bill terminates.

Accordingly, general fund expenditures increase by \$77,933 in fiscal 2025, which accounts for a 90-day start-up delay from the bill’s July 1, 2024 effective date. This estimate reflects the cost of hiring one program officer to conduct the required study and submit the required report. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$70,677
Operating Expenses	<u>7,256</u>
Total FY 2025 State Expenditures	\$77,933

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. As noted above, it is assumed that, given the bill’s requirement to hire a permanent employee, the program officer is retained in the out-years and assigned to other duties as DHCD sees fit.

Additional Information

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

Designated Cross File: SB 1107 (Senator M. Washington, *et al.*) - Education, Energy, and the Environment.

Information Source(s): Baltimore City, Carroll, Harford, Queen Anne's, and St. Mary's counties; Maryland Association of Counties; Maryland Municipal League; towns of Bel Air and Leonardtown; Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Department of Human Services; Office of Administrative Hearings; Harford Family House; Department of Legislative Services

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