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 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 693 (The Speaker, *et al.*) (By Request - Departmental - Housing and Community Development)

Environment and Transportation and Judiciary Judicial Proceedings and Education, Energy, and the Environment

Renters' Rights and Stabilization Act of 2024

This departmental bill increases a certain surcharge assessed in civil cases in the District Court and the circuit courts and alters the distribution of surcharge revenues in certain landlord-tenant cases. The bill also establishes the Office of Tenant and Landlord Affairs (OTLA) in the Department of Housing and Community Development (DHCD). In addition, among other provisions, the bill (1) extends the period between granting judgment for possession in favor of a landlord and the execution of the warrant of restitution; (2) establishes a tenant’s right of first refusal (and an exclusive negotiation period) prior to the sale of certain residential rental property; and (3) expands the categories of eviction data that must be collected by the Judiciary and provided to DHCD. **Provisions that allocate a portion of surcharge revenues to a certain special fund are contingent on the enactment of Senate Bill 370 or House Bill 428. Provisions related to eviction data take effect October 1, 2025.**

Fiscal Summary

State Effect: Special fund revenues increase by *up to* \$13.3 million in FY 2025 due to the increase in the surcharges; future year revenues reflect annualization and maximum potential revenues under the assumptions discussed below. General fund expenditures for the Judiciary and DHCD increase by a total of \$379,300 in FY 2025; the FY 2025 budget as passed by the General Assembly includes \$344,500 in general funds for DHCD, contingent on a bill that establishes OTLA. Future year expenditures reflect annualization, inflation, and ongoing costs.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$13.3	\$17.7	\$17.7	\$17.7	\$17.7
GF Expenditure	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5
Net Effect	\$12.9	\$17.3	\$17.3	\$17.3	\$17.3

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

Local Effect: Local revenues from landlord-tenant surcharge and service fees, particularly in Baltimore City, *potentially* decrease minimally, as discussed below. The bill does not have a direct, material effect on local expenditures, as discussed below.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment, as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Surcharges for Civil Cases

The bill increases, from \$8 to \$43, a maximum surcharge imposed by the District Court for summary ejectment cases. The bill requires the surcharge to be assessed against a landlord and prohibits it from being awarded or assigned as a fee or cost against a residential tenant by the court.

However, the court may allow a landlord to deduct the surcharge from the tenant's security deposit if (1) a judgment for possession is granted in the landlord's favor and (2) the lease agreement provides that a surcharge may be assessed against the tenant. Any deduction may not exceed the amount of a tenant's security deposit. The bill makes conforming changes to provisions governing the authorized use and forfeiture of surety bonds and security deposits.

Contingent on the enactment of Senate Bill 370 or House Bill 428, surcharge revenues from summary ejectment cases must be deposited as follows: 45% into the Statewide Rental Assistance Voucher Program in DHCD; 45% into the Maryland Legal Services Corporation (MLSC) Fund; and 10% into the Rental Assistance for Community Schools Families (RACSF) Fund (as established in Senate Bill 370 or House Bill 428).

The bill also increases the maximum surcharge in other civil cases as follows: (1) from \$18 to \$28 for cases in the District Court (other than the aforementioned summary ejectment cases); and (2) in the circuit courts, from \$55 to \$85. Surcharge revenues from these cases continue to be deposited into the MLSC Fund.

Office of Tenant and Landlord Affairs

OTLA is established within DHCD to (1) ensure that tenants have access to educational resources to aid in understanding and exercising the tenants' rights under State law; (2) provide tenants with information on how to report a violation of their legal rights as tenants and facilitate referrals of reported violations to appropriate enforcement agencies; (3) provide tenants with information on how to obtain financial counseling; and (4) notify appropriate authorities regarding housing discrimination and other unfair or illegal housing practices. The Secretary of Housing and Community Development must appoint the director of the office, who reports to and serves at the pleasure of the Secretary.

The bill assigns the following duties to OTLA:

- developing resources to aid tenants in understanding and exercising their legal rights as tenants, including (1) a Maryland Tenants' Bill of Rights that summarizes the existing rights and remedies available under State and federal law (and includes contact information for OTLA) and (2) a publicly accessible website to provide access to the Maryland Tenants' Bill of Rights and other relevant informational resources;
- establishing points of contact within the office by which a tenant may report a violation by a landlord (or a person acting on behalf of a landlord) for referral to appropriate enforcement agencies;
- providing resources to facilitate access by tenants to credit counseling;
- referring covered individuals to the Access to Counsel in Evictions Program (administered by MLSC);
- collaborating with county and local governments that provide tenant advocacy and assistance;
- receiving notices and other documents related to a tenant's exclusive negotiation period and right of first refusal (as established under the bill); and
- adopting regulations governing the content and delivery of notices for a tenant's exclusive negotiation period and right of first refusal.

OTLA may (1) implement fair housing testing to ensure compliance by landlords with fair housing laws and (2) identify landlords that are out of compliance with federal, State, or local law and facilitate referrals of cases to an appropriate law enforcement agency or another appropriate agency.

By June 1 each year, OTLA must publish the Maryland Tenants' Bill of Rights on its website.

Tenant's Right of Exclusive Negotiation Period and First Refusal

Right of Exclusive Negotiation Period

Generally: Subject to limitations on applicability (discussed below), the bill establishes specified procedures in regard to a “tenant’s exclusive negotiation period” before a residential rental property may be offered for sale to the public or a third party. This period refers to the period of time after a tenant is notified about the tenant’s right to purchase the property during which the tenant may negotiate exclusively with the owner to enter into a contract of sale. Tenant(s) may affirmatively decline an offer of sale by an owner, as specified, after which the owner may offer the property for sale. If multiple tenants submit offers, the owner can choose the most favorable one without liability to any other tenant.

Notice Requirements: The owner must send each tenant a written notice of the tenant’s right to deliver an offer to purchase the property. The notice must (1) be in the form specified by DHCD via adopted regulations; (2) be delivered by first class mail with a certificate of mailing or a delivery service providing delivery tracking and confirmation; (3) contain “material terms” that the owner would agree to incorporate in a resulting contract of sale with the tenant; (4) state, in a conspicuous manner, that the notice is a solicitation of an offer to purchase and is not intended as and may not be construed as a binding contract of sale; and (5) state any information regarding deadlines for the tenant to submit an offer to purchase (including the duration of the tenant’s exclusive negotiation period). The owner must also send a copy of the notice to OTLA, as specified.

Negotiations: Tenants have 30 days to submit a written purchase offer to the owner after the landlord delivers the notice. Within 5 days after the owner receives an offer to purchase the property from the tenant, the owner must (1) if the offer contains the same or more favorable material terms as those contained in the notice, accept the offer and notify OTLA or (2) if the offer contains material terms that deviate from the terms of the notice, deliver a counteroffer to the tenant with an explanation of how the offer deviates from the notice.

Within five days after receiving a counteroffer, the tenant may accept or reject the owner’s counteroffer. If no response is received within this timeframe, the counteroffer is considered rejected, and the owner must notify OTLA. A tenant’s right of first refusal is terminated if the tenant fails to, in accordance with the bill’s provisions, (1) deliver a written offer to purchase the property or (2) accept the counteroffer.

For purposes of the bill’s provisions, “material terms” are those that are essential for the sale of a residential rental property, including the sales price, settlement date, and other contingencies. Material terms for the purchase of a residential rental property under these provisions (1) must be commercially reasonable and made in good faith; (2) must adhere

to generally accepted residential real estate practices; and (3) may not include restrictions on financing methods or the right of inspection.

Right of First Refusal

Generally: Subject to limitations on applicability (discussed below), before a voluntary transfer of title to a residential rental property may occur, any tenant or group of tenants of the property must have the right of first refusal to purchase the property. The right of a third party to purchase any residential rental property to which the bill's provisions apply is subject to the exercise of the right of first refusal by a tenant or group of tenants.

Tenants have the right of first refusal to purchase residential rental property if (1) the property owner intends to accept a purchase offer from a third party for an amount that is at least 10% lower than any price offered to the tenant in any previous notice, offer, or counteroffer during the exclusive negotiation period, as discussed above, or (2) the owner, without having offered the property for sale to the public or any third party, receives an offer from a third party to purchase the property. If a third party delivers an offer to purchase to the owner, the owner must notify the third party of a tenant's right of first refusal.

Notice Requirements: If the owner receives an offer to purchase the property from a third party under either of the aforementioned circumstances, the owner is prohibited from accepting the offer until (1) the owner provides written notice, as specified under the bill, to the tenant of the tenant's right of first refusal and (2) the tenant has an opportunity to exercise the right of first refusal within 30 days after receipt of the notice. In addition to other requirements, the notice must contain the same sales price as the third-party offer to purchase. The owner must send a copy of the written notice to OTLA.

Exercise of Right of First Refusal: Within 30 days after receipt of the notice, the tenant may deliver to the owner a written offer to purchase the property. If a tenant delivers an offer to purchase at the same sales price as the offer from the third party, the owner must accept the offer from the tenant and notify OTLA. If more than one tenant or group of tenants delivers a timely offer to purchase the property, the owner may select the more favorable offer without liability to any other tenant.

If the owner accepts the tenant's offer to purchase but the contract is terminated before settlement, the tenant's right of first refusal is waived and the owner must notify OTLA. If a tenant does not deliver an offer to purchase, (1) the owner may accept the third-party offer; (2) the tenant's right of first refusal is considered waived; and (3) the owner must notify OTLA.

Penalty and Liability for Failure to Comply

An owner who violates these provisions is subject to a maximum fine of \$1,000 per violation.

After closing on a contract of sale between an owner and a tenant, liability for failure to comply with the bill's provisions is restricted to the owner and may not attach to the residential rental property that is the subject of the contract. A tenant who brings an action against the owner after closing for failing to provide the notice required by the bill may not file a notice of *lis pendens* under Maryland Rule 12-102; a court may dismiss a wrongfully filed action.

Waiver, Interpretation, and Preemption

The rights of a tenant under these provisions may not be waived or assigned, and any attempted waiver or assignment is void. The provisions preempt any local law or ordinance governing the right of first refusal or opportunity to purchase of a jurisdiction or tenant for the purchase of a residential rental property.

The bill's provisions may not be construed to prohibit (1) an individual from submitting an offer to purchase a property leased by the individual that is offered for sale to the public or (2) multiple tenants of a residential property from jointly delivering an offer to purchase or from jointly contracting to purchase the property.

Tenant's Rights to Exclusive Negotiation Period and First Refusal – Applicability

The bill's provisions establishing a tenant's rights of an exclusive negotiation period and first refusal do not apply to the following circumstances:

- transfer of title to a family member of the owner;
- transfer of title to a business entity wholly owned by the owner;
- transfer of title through a court order (including foreclosure, tax sale, sale by court-appointed trustee, etc.);
- transfer by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship, or trust;
- transfer of title through a will, trust instrument, or inheritance;
- transfer of bare legal title into a revocable trust, as specified;
- transfer of title to the State or a local government;
- transfer of title in lieu of foreclosure of a mortgage or deed of trust;
- transfer of title through a court order, receivership, or court-approved settlement;

- transfer of title through a bankruptcy court order or sale by a bankruptcy trustee or debtor in possession;
- gift transfer of title to a tax-exempt nonprofit organization, as specified; or
- transfer of title by a public housing authority.

Further, for purposes of the aforementioned provisions, “residential rental property” means a tenant-occupied rental property for residential use with three or fewer individual dwelling units; therefore, the provisions are not applicable to residential rental property with four or more individual dwelling units. A “tenant” is an individual who has occupied a residential rental property for at least six months and who is a named lessee in the written lease.

Additional Responsibilities for the Department of Housing and Community Development

The Secretary of Housing and Community Development must adopt implementing regulations.

DHCD must regularly gather and monitor data related to the aforementioned provisions. The data must be published on its website, organized in a specified manner, and provided on request to State or local government entities and institutions of higher education located in the State. DHCD may not publish data that is privileged or otherwise protected from disclosure.

Residential Lease Requirements and Prohibitions

The bill decreases, from two months’ rent to one month’s rent, the maximum security deposit that may be imposed by a landlord. However, a landlord may impose a security deposit in an amount equivalent to up to two months’ rent if (1) the tenant is eligible and has qualified for utility assistance through the Department of Human Services; (2) the lease agreement requires that the tenant make payments for utility services directly to the landlord; and (3) the tenant and landlord agree in writing to the amount of the security deposit.

The bill expands the provisions that may not be included in a lease to include prohibitions against (1) requiring a tenant to pay more than the sum of the security deposit and the first month’s rent in order to start the lease and occupy the premises; (2) waiving or placing conditions on a tenant’s right of first refusal; (3) except as explicitly authorized, providing that a tenant is responsible for – or requiring a tenant to agree to be responsible for – payment of the surcharge assessed against the landlord by the District Court under the bill’s provisions; or (4) requiring the tenant to accept specified notice by electronic delivery. A lease must include a copy of the most recent version of the Maryland Tenants’ Bill of Rights.

Failure to Pay Rent – Procedures

The bill extends, from four days to seven days, the minimum time period between the granting of a judgement of possession in favor of the landlord and the issuance of an execution of a warrant of restitution against the tenant.

The bill *requires* the administrative judge of any district to stay the execution of a warrant of restitution in the event of extreme weather conditions *affecting the residential property*, as specified under the bill. A warrant of restitution granted a stay for these circumstances must be completed within five days after the extreme weather conditions stop.

The bill also establishes that if written notice (as required under current law) of a landlord’s intent to file a claim to recover possession of the premises based on the failure to pay rent is sent electronically, the electronic message must provide the landlord with proof of the transmission of the notice.

Eviction Data Collection and Publication – Provisions Effective October 1, 2025

The bill specifies that “eviction data” – as generally required under current law to be collected by the Judiciary and shared with DHCD for publication – must include the following information, regardless of whether an eviction occurs:

- the name of the landlord;
- the street address, city, county, and zip code of the premises;
- the date of filing of the complaint and the type of action;
- for a hearing or trial related to the complaint, whether the tenant appeared at the hearing or trial and whether the tenant had legal representation;
- the date of entry of a judgement for possession;
- whether the right of redemption was foreclosed at the time of the entry of judgment for possession, if applicable;
- the date of issuance of the warrant; and
- the outcome of the issuance of the warrant, as specified.

The Judiciary must notify DHCD and provide updated eviction data if the Judiciary discovers that any shared eviction data (for any collection period) is inaccurate or incomplete. The bill also specifies that DHCD must publish and make available only *publicly disclosable* data (defined in the bill as data not required to be withheld from disclosure under the Public Information Act or other law).

Current Law:

Surcharges for Landlord-tenant and Civil Cases

Generally, the Chief Judge of the District Court must assess a surcharge of up to \$8 for summary ejectment (failure to pay rent) cases and \$18 for all other civil cases (including breach of lease and tenant holding over actions). Money from this surcharge is deposited into the MLSC Fund, which is used to finance civil legal services to indigent clients. An additional surcharge of up to \$3 for summary ejectment cases and \$8 for all other civil cases is also assessed for the benefit of the Circuit Court Real Property Records Improvement Fund. In Baltimore City, further surcharges are applied to certain landlord-tenant cases; these funds are remitted to the city to enhance the service of domestic violence orders.

In the circuit courts, a surcharge of up to \$55 may be assessed per case for each civil case. These funds are also deposited into the MLSC Fund.

A judge may waive the prepayment of filing fees and other costs due to indigence.

Statewide Rental Assistance Voucher Program

Chapter 446 of 2023 established the Statewide Rental Assistance Voucher Program in DHCD. The purpose of the program is to provide vouchers and housing assistance payments for low-income families that are currently on a waiting list under the federal Housing Choice Voucher Program for housing in units approved by DHCD or a public housing agency within the State. DHCD and each public housing agency must equally prioritize vouchers and housing assistance payments for families that meet specified demographic criteria. Pursuant to Chapter 446, the Governor is required to include \$10.0 million in the annual budget bill for the program in fiscal 2025 through 2027 and sufficient amounts in future years to fund the same number of vouchers. The fiscal 2025 budget as introduced includes \$10.0 million in general funds for the program, consistent with the mandated appropriation.

Eviction Proceedings – Generally

In general, a landlord seeking to evict a tenant initiates the process by filing the appropriate action (*e.g.*, failure to pay rent, breach of lease, etc.) in the District Court. If awarded a judgment by the court, the landlord files a warrant of restitution, which, once reviewed and signed by the court, authorizes an eviction. The warrants of restitution are forwarded to the local sheriff's office who is then authorized to carry out the evictions. Statute sets forth numerous specific requirements for such actions, including those related to written notice prior to filing certain actions.

In failure to pay rent actions, if judgment is in favor of the landlord and the tenant does not return the premises to the landlord or otherwise satisfy the judgment by paying the applicable rent and late fees within 4 days, as specified, the court must, at any time after 4 days have elapsed, issue a warrant of restitution. The court may, upon presentation of a certificate signed by a physician certifying that surrendering the property within the 4-day period would endanger the health or life of the tenant or other occupant, extend the time for surrender of the premises as justice may require up to 15 days. Statutory provisions also authorize stays of execution in other specified circumstances, such as in the event of extreme weather conditions.

If the landlord does not order a warrant of restitution within 60 days from either the date of judgment or the expiration date of any stay of execution (whichever is later), then (1) the judgment for possession must be stricken and (2) the judgment must generally count toward the threshold for the number of judgments at which a tenant no longer has the right to redemption of the leased premises, as specified.

Residential Lease Requirements and Prohibitions

Any landlord who offers five or more dwelling units in the State for rent may not rent a unit without using a written lease. The lease must include (1) a statement that the premises will be delivered in a livable condition, with reasonable safety, if that is the agreement, or if both parties agree otherwise, a statement of the agreement concerning the condition of the premises; (2) the landlord's and the tenant's specific obligations for heat, gas, electricity, water, and repair of the premises; and (3) a receipt for the security deposit, as specified.

Among other requirements regarding leases, a landlord may not use a lease or form of lease containing any provision that, among others:

- has the tenant agree to waive/forego any right or remedy provided by applicable law;
- imposes a penalty for the late payment of rent in excess of specified thresholds;
- authorizes the landlord to take possession of the leased premises or the tenant's personal property unless the lease has been terminated by action of the parties or by operation of law, and the personal property has been abandoned by the tenant without the benefit of a formal legal process;
- is against public policy and void, as specified;
- requires the tenant to accept notice of rent increases by electronic delivery; or
- limits the ability of a tenant to summon the assistance of law enforcement or emergency services or penalizes a tenant solely for summoning the assistance of law enforcement or emergency services.

Eviction Data – Collection and Publication

The Judiciary is required to collect, compile, and share residential eviction data on a monthly basis in a manner required by DHCD. “Eviction data” means, in regard to specified landlord/tenant actions, the (1) county and zip code of the subject premises; (2) date of execution of the warrant of restitution or writ of possession; and (3) the type of action from which the warrant or writ was issued. DHCD must organize and format the data and publish the data on its website. Generally, the data must be made available, on request, by (1) a State agency; (2) an agency of a county or municipality; or (3) an academic institution located in the State.

Rental Assistance for Community School Families Program

Chapters 210 and 211 of 2024 (Senate Bill 370/House Bill 428) establish the Rental Assistance for Community School Families Program and related special fund within DHCD to provide rental assistance to eligible student households at community schools. The Acts take effect July 1, 2024.

Background: The Governor’s Office reports that this bill, which is part of the Administration’s legislative package, is intended to address the immediate needs of tenants who are experiencing housing instability. Specifically, the bill was introduced in an effort to, among other things, (1) establish a designated office to provide tenants with information about their rights under law and to create the Maryland Tenant’s Bill of Rights; (2) address the high eviction filing rate by increasing a specified surcharge in landlord-tenant actions; and (3) create a new pathway to homeownership by creating a statewide right of first refusal, allowing some tenants the right to purchase their home if being sold.

In a 2021 op-ed, former Attorney General Brian E. Frosh addressed numerous concerns with the State’s system for landlord-tenant disputes and highlighted the overall low cost of filing such actions as contributing to the State’s high rate of eviction filings. The landlord’s cost of filing is one of the lowest nationwide, causing some landlords to file against the same household repeatedly, essentially using the District Court as a collection agency. Legislation to increase the surcharges on filings in specific landlord-tenant actions has been introduced in prior years, but those measures have not been successful.

The General Assembly has, however, enacted several measures in an attempt to provide resources, information, and assistance to tenants, including, among others, measures to (1) require landlords, prior to filing a failure to pay rent action against a tenant, to provide written notice to tenants of an intent to file a claim; (2) establish the Access to Counsel in Evictions Program; (3) require landlords to demonstrate compliance with any local licensing laws; and (4) authorize court-ordered stays in failure to pay rent proceedings if a tenant is awaiting the results of an application for rental assistance.

Despite the actions taken to date, data provided by the [Judiciary](#), as included in a DHCD dashboard, indicate that more than 21,500 tenants were evicted during 2023, with approximately 19,000 of those evictions resulting from failure to pay rent actions.

State Fiscal Effect: Special fund revenues increase by *as much as* \$13.3 million in fiscal 2025 and *up to* \$17.7 million annually thereafter, which reflects an increase in special fund revenues for the MLSC Fund, the Statewide Rental Assistance Voucher Program, and the Rental Assistance for Community Schools Families Fund. The fiscal 2025 estimates reflect the bill’s October 1, 2024 effective date. General fund expenditures increase by a total of \$379,314 in fiscal 2025 for computer programming costs in the Judiciary and DHCD costs to establish OTLA; the fiscal 2025 budget as passed by the General Assembly includes \$344,515 in general funds for DHCD contingent on the enactment of legislation that establishes OTLA, which this bill effectuates. Future year expenditures are annualized and reflect inflation and ongoing costs.

As previously noted, the bill contains provisions that are contingent on the passage of separate legislation (Senate Bill 370/House Bill 428). DLS notes that Senate Bill 370/House Bill 428 have been enacted as Chapters 210 and 211, respectively; thus, this analysis reflects the contingency.

The bill’s *annualized* revenue impact on the multiple funds/programs affected by the bill under the assumptions discussed below is shown in **Exhibit 1**. A more detailed discussion of these effects is provided below.

Exhibit 1
Annualized Revenue Impacts

<u>Surcharge Recipient</u>	<u>Revenues under Current Law*</u>	<u>Revenues under the Bill</u>	<u>Difference</u>
Maryland Legal Services Corporation Fund	\$9,882,105	\$18,106,808	\$8,224,703
Statewide Rental Assistance Voucher Program	n/a	7,774,772	7,774,772
Rental Assistance for Community Schools Families Fund	n/a	1,727,727	1,727,727

* Reflects revenues collected in fiscal 2023, as estimated and provided by the Judiciary.

Source: Judiciary; Department of Legislative Services

Surcharge Revenues for the Maryland Legal Services Corporation Fund, the Statewide Rental Assistance Voucher Program, and the Rental Assistance for Community Schools Families Fund

Summary Ejectment Cases: The Judiciary advises that approximately 401,800 summary ejectment cases were filed in the District Court during fiscal 2023. Accordingly, summary ejectment cases alone generated \$3.2 million in surcharge revenues for the MLSC Fund in fiscal 2023. While the number of case filings varies each year, this estimate assumes that the number of cases to which the surcharges are imposed remains constant each year. In addition, although the bill establishes that the surcharge may not exceed \$43 per case, for purposes of this analysis, the surcharge is assumed to be \$43 per case. Based on these assumptions, surcharge revenues attributable to these cases increase by *up to* \$10.5 million in fiscal 2025, which accounts for the bill's October 1, 2024 effective date, and by *as much as* \$14.1 million annually thereafter.

DLS notes, however, that the increase in the summary ejectment surcharge may deter landlords from filing as many failure to pay rent cases, or waiting longer periods before filing. Even though the bill includes provisions by which a landlord may deduct the surcharge from a tenant's security deposit under specified conditions, filing behavior may still be altered and result in fewer overall filings (and corresponding surcharge revenues). Any such impact has not been specifically accounted for in this analysis, however, DLS advises that the special fund revenues illustrated in this fiscal and policy note likely indicate the maximum revenues anticipated. DLS further advises that *if* case filings for summary ejectment cases decrease, general fund revenues also decrease (representing a decrease in revenues from the \$4 filing fee per case that is attributed to the general fund); special fund revenues for the Circuit Court Real Property Records Improvement Fund likewise decrease (representing a decrease in revenues from an additional \$3 surcharge imposed on summary ejectment cases for the benefit of that fund).

Other Civil Cases: Surcharge revenues in other civil cases in the District Court (excluding summary ejectment cases), generated approximately \$2.7 million for the MLSC Fund in fiscal 2023. The bill increases the applicable maximum surcharge for these cases from \$18 to \$28; surcharge revenues from these cases are therefore estimated to increase by \$1.5 million annually (\$1.1 million in fiscal 2025). Despite the increase, this analysis assumes that the increased surcharge does not affect the volume of these cases filed in the District Court and that the maximum surcharge is assessed.

Furthermore, the Judiciary advises that the circuit courts generated approximately \$4.0 million in civil case filing surcharge revenues for the MLSC Fund in fiscal 2023. The bill increases the applicable surcharge for all civil cases filed in the circuit courts from a maximum of \$55 to \$85; surcharge revenues from these cases are therefore estimated to increase by \$2.2 million annually (\$1.6 million in fiscal 2025). This analysis assumes that

this increase does not decrease total filings of such cases in the circuit courts. Although the bill establishes that the surcharge may not exceed \$85 per case, for purposes of this analysis, the surcharge is assumed to be \$85 per case.

Total Special Fund Revenues: Accordingly, total special fund revenues for the aforementioned funds from the surcharge increased by the bill increase by *up to* \$13.3 million in fiscal 2025, reflecting the bill's October 1, 2024 effective date, and by *as much as* \$17.7 million annually thereafter, based on the aforementioned assumptions. Although the MLSC Fund, the Statewide Rental Assistance Voucher Program, and the Rental Assistance Community Schools Families Fund share a portion of these proceeds, the estimate reflects a revenue increase of (1) approximately \$6.2 million for the MLSC Fund in fiscal 2025 and \$8.2 million annually thereafter, after accounting for surcharge revenues that it already receives under current law; (2) approximately \$5.8 million for the Statewide Rental Assistance Voucher Program in fiscal 2025 and \$7.8 million annually thereafter (that program does not receive any surcharge revenues under current law); and (3) approximately \$1.3 million for the Rental Assistance Community Schools Families Fund in fiscal 2025 and \$1.7 million annually thereafter (that fund – set to take effect July 1, 2024, pursuant to Chapters 210 and 211 – does not receive any surcharge revenues under current law). If filings decrease below current levels or the higher surcharge amounts result in additional fee waivers being granted, the revenue increase is moderated but still significant. Likewise, to the extent the maximum surcharge is not imposed, the revenue increase is moderated.

Furthermore, although the Statewide Rental Assistance Voucher Program is currently funded with general funds and the bill does not explicitly create a special fund to receive the surcharge revenues, this estimate assumes that the surcharge revenues distributed to DHCD under the bill are treated as special funds.

While the bill does not explicitly *require* additional spending from the MLSC Fund, the Statewide Rental Assistance Voucher Program, and the Rental Assistance Community Schools Families Fund, significant additional funding is available for the funds and the program as a result of the bill.

Department of Housing and Community Development

Although other components of the bill can be handled by DHCD using existing resources, it requires additional staff for the newly established OTLA. Specifically, three positions are required to, among other responsibilities, develop informational materials for tenants, create points of contact for tenants to report violations of their rights, and provide resources to facilitate tenant access to credit counseling. Accordingly, general fund expenditures increase by \$344,515 for staff and associated start-up and operating costs in fiscal 2025, which accounts for the bill's October 1, 2024 effective date; the fiscal 2025 budget as

passed by the General Assembly includes \$344,515 in general funds for DHCD, contingent on legislation establishing the office, which this bill effectuates. Future year expenditures, which total approximately \$412,900 in fiscal 2026, increasing to approximately \$466,500 by fiscal 2029, reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Judiciary

General fund expenditures for the Judiciary increase by \$34,799 in fiscal 2025 only for computer programming costs. To the extent that fewer cases are filed, thereby reducing the workload of the District Court, operational efficiencies may be realized.

Penalties

The bill's penalty provision is not anticipated to materially affect State finances.

Local Fiscal Effect: As noted above, pursuant to current law, other surcharges are imposed on landlord-tenant actions filed in Baltimore City. While this analysis does not specifically account for a potential decrease in filings, DLS advises that *if* overall filings decrease in Baltimore City as a result of the bill's increased surcharge in summary ejectment cases, Baltimore City revenues decrease minimally. Fee revenues associated with service of process in landlord-tenant actions may also further decrease minimally in Baltimore City and other jurisdictions. While expenditures strictly associated with evictions may decrease, resources are assumed to be directed elsewhere so that there is no material effect on local government expenditures from these changes.

As noted above, the bill does not *require* additional spending by DHCD under the Statewide Rental Assistance Voucher program; however, because the bill *significantly* increases available funding for the program, amounts distributed to public housing agencies likely increase.

Small Business Effect: Numerous provisions of the bill likely have a meaningful impact on small business landlords. For example, the bill increases surcharges associated with landlord-tenant actions and limits the circumstances under which a landlord may pass specified surcharge costs on to a tenant. Additionally, under certain circumstances, landlords must engage in exclusive negotiation periods with tenants and offer tenants the right of first refusal when desiring to sell a residential rental property, which may extend the overall timeframe for selling the property. Among other provisions, the bill also reduces the maximum security deposit a landlord may require (subject to a limited exception) and extends the process of repossessing property after a court enters judgment in a landlord's favor.

Additional Information

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

Designated Cross File: SB 481 (The President, *et al.*) (By Request - Administration) - Judicial Proceedings and Education, Energy, and the Environment.

Information Source(s): Baltimore City; Harford and Wicomico counties; Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; Maryland Department of Labor; Governor's Office; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2024
rh/jkb Third Reader - April 2, 2024
 Revised - Amendment(s) - April 2, 2024
 Enrolled - May 6, 2024
 Revised - Amendment(s) - May 6, 2024
 Revised - Clarification - May 6, 2024
 Revised - Updated Information - May 6, 2024
 Revised - Budget Information - May 6, 2024

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ANALYSIS OF IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Renters' Rights and Stabilization Act of 2024

BILL NUMBER: HB0693

PREPARED BY: Brad Fallon

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This omnibus legislation seeks to 1) increase the eviction filing surcharge to \$100, in line with the national average of \$109; 2) prevent the pass through of the eviction filing fee from landlords to tenants; 3) limit allowable security deposits to the equivalent of one month's rent; and 4) provides a right of first refusal for renters to purchase their rental homes in cases where the owner has decided to sell the property.

This legislation is expected to have the impact of lowering Maryland's highest-in-the-nation eviction filing rate, remove financial barriers to becoming housed, and create new pathways to homeownership. Each of these anticipated impacts are expected to improve economic stability for Maryland residents.