

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 428 (Delegate Stewart)
 Appropriations and Ways and Means Budget and Taxation and Education, Energy,
 and the Environment

Community Schools - Rental Assistance for Community School Families
Program and Fund - Establishment

This bill establishes the Rental Assistance for Community School Families Program and related fund to provide rental assistance to eligible student households at community schools. The Department of Housing and Community Development (DHCD) must administer the program in consultation with the Maryland State Department of Education (MSDE). The Governor may include an appropriation of \$10.0 million in the annual budget bill for the program. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by \$5.0 million in FY 2025, which is budgeted contingent on enactment of the bill; special fund revenues and expenditures increase commensurately. Special fund revenues and expenditures increase by an additional \$1.3 million in FY 2025 due to a contingent mandated distribution, as discussed below. Assuming discretionary funding is provided in the out-years, general fund expenditures increase by \$10.0 million annually beginning in FY 2026; special fund revenues and expenditures increase commensurately, and by an additional \$1.7 million annually due to a contingent mandated distribution, as discussed below.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$6.3	\$11.7	\$11.7	\$11.7	\$11.7
GF Expenditure	\$5.0	\$10.0	\$10.0	\$10.0	\$10.0
SF Expenditure	\$6.3	\$11.7	\$11.7	\$11.7	\$11.7
Net Effect	(\$5.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary:

Eligibility for Assistance

For a family to be eligible for assistance under the program, a student in the family must be:

- enrolled in a community school that receives funding under the Concentration of Poverty School Grant Program (CPG); and
- from a household (1) that is housed in a rental property where at least one household member is at risk of homelessness or housing instability, as specified, or (2) where at least one member qualifies for assistance under the federal McKinney-Vento Homeless Assistance Act.

Assistance Provided

Eligible uses for program funding include (1) rental payments or arrears, or fines or fees associated with those payments; (2) utility payments or arrears, or fines or fees associated with those payments; and (3) relocation expenses.

An eligible household may receive support for up to 12 months, but subject to the availability of funding, support may be extended for up to an additional 3 months, as specified.

Program Administration and Funding

DHCD must administer the program with support from the Director of Community Schools in MSDE.

The Rental Assistance for Community Schools Families Fund (RACSFF) is a special, nonlapsing fund that may be used only to provide rental assistance under the program and to cover DHCD's costs of administering the program. It consists of money appropriated in the State budget, interest earnings, and any other money from any other source accepted for the benefit of the fund.

Current Law: CPGs have two components. First, each qualifying school receives a personnel grant to employ a community school coordinator with specified qualifications and provide full-time coverage by at least one health care practitioner. A county that provides health coverage or community school services with funds other than the personnel grant must continue to provide those services through fiscal 2030. Second, per pupil grants

are provided for each qualifying school following the completion of a specified needs assessment. The personnel grant is a State-funded categorical amount that increases with inflation. Per pupil grants are only wealth equalized for districts that receive the minimum State funding (40%) under the compensatory education formula; for all other districts, the State pays the full amount. The local funding percentage is based on the compensatory education wealth equalization formula. **Exhibit 1** lays out the phase-in of the two components of the funding.

Exhibit 1
Current Law Concentration of Poverty Phase-in

<u>School Poverty Percentage</u>	<u>Year Personnel Phased-in</u>	<u>Year Per Pupil Phased-in</u>
> = 80%	FY 2020	FY 2022
75%-80%	FY 2021	FY 2023
70%-75%	FY 2022	FY 2024
65%-70%	FY 2023	FY 2025
60%-65%	FY 2024	FY 2026
55%-60%	FY 2025	FY 2027

Source: Department of Legislative Services

Renters’ Rights and Stabilization Act

Chapter 124 of 2024, the Renters’ Rights and Stabilization Act of 2024, effective October 1, 2024, increases, from \$8 to \$43, a maximum surcharge imposed by the District Court for summary ejectment cases. Contingent on the enactment of this bill or its cross file, revenues from the surcharge must be deposited as follows: 45% into the Statewide Rental Assistance Voucher Program in DHCD; 45% into the Maryland Legal Services Corporation Fund; and 10% into RACSFF.

Maryland Energy Assistance Program

The Maryland Energy Assistance Program, administered by the Office of Home Energy Programs within the Department of Human Services, helps the State’s vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Benefits include utility and fossil fuel payments, the Utility Service Protection Program, referrals to weatherization services, emergency heating system repairs and

replacement, waivers on utility fees, discounts on fuel purchases, and gas arrearage assistance.

Homelessness Solutions Program

DHCD's Division of Neighborhood Revitalization administers the [Homelessness Solutions Program](#) (HSP), which serves as a statewide response to address the issue of homelessness in Maryland, providing technical support and funding to Continuums of Care and Local Homeless Coalitions, which coordinate funding and resources for service providers across the State. The goals of HSP are to reduce the number of individuals/households who become homeless or return to homelessness and to 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.

Emergency Rental Assistance Program

In response to the economic hardships caused by the COVID-19 pandemic, DHCD and local governments received a combined total of more than \$700 million from the federal Emergency Rental Assistance Program (ERAP) to provide relief for families struggling with unpaid rent and/or utility bills. However, most of those funds have been exhausted and will likely no longer be available when the bill takes effect.

State Expenditures: Based on the most recent data available, the number of schools receiving CPG personnel grants is projected to be 610 in fiscal 2025, with the potential to grow to as many as 692 in the next few years. Combined, schools projected to receive CPG personnel grants in fiscal 2025 have a total enrollment of about 325,000 students, almost 250,000 of whom are eligible for free or reduced-price meals (FRPMs). Based on a conservative estimate that 5% of FRPMs families in community schools qualify for rental assistance under the bill, at least 12,500 families may be eligible for assistance. Based on the authorized appropriation of \$10.0 million annually as well as additional funding through the mandated distribution, if all these families were to receive assistance, the average amount would be approximately \$925 per family over the entire 12 months of eligibility – which also accounts for staffing requirements discussed below. To further put the funding in context, DHCD estimates, based on current average ERAP assistance levels, that the discretionary \$10.0 million appropriation alone could serve up to 3,000 to 3,500 families per year, which equates to approximately \$2,850 to \$3,300 per family each year.

The bill authorizes the Governor to provide an appropriation of \$10.0 million annually; the fiscal 2025 budget as passed by the General Assembly includes \$5.0 million for the program, contingent on enactment of this bill or its cross file. As the bill effectuates the contingency, general fund expenditures increase by \$5.0 million in fiscal 2025, and

special fund revenues and expenditures increase commensurately. As the program does not terminate and there is a demonstrated ongoing need for rental assistance, this analysis assumes that (1) the authorized annual funding of \$10.0 million is needed each year beginning in fiscal 2026 and (2) general funds are deposited into the special fund each year.

The bill also effectuates the contingency in Chapter 124 that distributes 10% of revenues from the District Court surcharge assessed for summary ejectment cases to RACSFF. Total annual proceeds for the fund from the contingent mandatory distribution in Chapter 124 are projected to be \$1.7 million, except that, for fiscal 2025, the total is \$1.3 million given that legislation's October 1, 2024 effective date. These revenues are assumed to be in addition to the \$5.0 million budgeted amount in fiscal 2025 and the \$10.0 million discretionary out-year appropriations assumed by this analysis.

Beginning in fiscal 2025, DHCD requires one new position to develop program policies and eligibility forms, establish internal systems for payment and data collection, assist local school systems and community school coordinators, monitor compliance, and generally implement the program. The cost for that rental assistance manager position totals approximately \$78,000 in the first year (which reflects a 90-day start-up delay from the bill's July 1, 2024 effective date) and increases to about \$100,000 in the out-years due to annualization and inflation. As RACSFF can be used to cover DHCD's administrative costs, there are no additional State expenditures associated with the position. However, fewer funds are available for rental assistance grants to families. Accordingly, residual funding of approximately \$6.2 million is assumed to be available for rental assistance payments in fiscal 2025, and \$11.6 million each year thereafter. If, however, the \$10.0 million in authorized funding is not appropriated in fiscal 2026 or any subsequent year, less funding is available for the program. Nevertheless, as the distribution required by Chapter 124 must be provided annually, it is assumed that annual administrative costs are covered from that source in the out-years and that some grant funding is also available each year.

Additional Information

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

Designated Cross File: SB 370 (Senator Hettleman) - Budget and Taxation and Education, Energy, and the Environment.

Information Source(s): Maryland State Department of Education; Department of Budget and Management; Department of Housing and Community Development; Department of Legislative Services

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