

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 69 (Delegate Amprey)
 Environment and Transportation

**Community Development Administration - Live Near Where You Teach
 Program - Establishment**

This bill authorizes the Community Development Administration (CDA) within the Department of Housing and Community Development (DHCD) to administer (1) the Live Near Where You Teach Program (LNWYT) that provides grants to school staff members in sustainable communities to buy or rent a home near where the school staff member is employed; (2) a related home buyer assistance program to assist a school staff member in receiving a low-interest mortgage loan to purchase a home near where the school staff member is employed; and (3) a rental assistance program that offers newly hired school staff members \$1,000 per month for 18 months. **The bill terminates September 30, 2027.**

Fiscal Summary

State Effect: General fund expenditures increase by \$1.0 million and general obligation (GO) bond/pay-as-you-go (PAYGO) general fund expenditures increase by \$562,500 in FY 2025; future years are annualized and reflect ongoing costs and the termination of the program at the end of FY 2027, as discussed below. Revenues are not affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,034,900	2,256,800	1,961,500	0	0
Bond/PAYGO	562,500	750,000	750,000	0	0
Exp.					
Net Effect	(\$1,597,400)	(\$3,006,800)	(\$2,711,500)	\$0	\$0

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

Local Effect: Local expenditures increase only to the extent that local governments choose to provide matching financial assistance. Local revenues are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: “School staff member” means an individual who is employed on a full-time basis at an elementary or secondary school in the State as (1) a teacher; (2) an administrator; (3) a paraprofessional; (4) a school psychologist; (5) a school secretary; (6) a guidance counselor; or (7) any other school employee. “Teacher” means an individual who has a Maryland professional teacher’s certificate.

Home Buyer Assistance Program and Rental Assistance Program

CDA may administer a home buyer assistance program that (1) assists a school staff member to receive a low-interest mortgage loan, with down payment and closing cost assistance options, for the purchase of a home near where the school staff member is employed; (2) coordinates with, and matches where appropriate, similar programs offered by private employers and county and municipal governments to maximize the total amount that a school staff member can receive under the program; and (3) uses available funding sources. To qualify for the home buyer assistance program, a school staff member must have been employed at an elementary or secondary school in the State for at least the preceding 18 months before applying to the program. CDA may (1) allow home buyers to utilize the loans for the purchase of newly constructed or existing homes; (2) require a home purchased under the program to be occupied by the home buyer as a principal residence; and (3) use available funding sources.

CDA may administer a rental assistance program that offers a newly hired school staff member \$1,000 per month in housing assistance for the first 18 months of full-time employment if the school staff member lives near where the school staff member is employed.

CDA may facilitate the marketing of the program with specified entities and must adopt regulations to carry out the bill’s provisions relating to this program. By December 31, 2025, and annually thereafter, DHCD must report to the General Assembly on the program.

Live Near Where You Teach Program – Community Development Projects

Under LNWYT, CDA may administer community development projects that (1) are in sustainable communities and (2) provide a school staff member with financial assistance in the form of a grant to buy or rent homes near where the school staff member is employed.

A community development project administered under these provisions is not subject to existing provisions that require part of the housing to be occupied by families of limited income. CDA must adopt regulations to implement LNWYT.

Current Law:

Live Near Your Work Program

CDA must administer the Live Near Your Work home buyer assistance program that (1) assists home buyers to receive low-interest mortgage loans, with down payment and closing cost assistance options, for the purchase of homes near their workplace and (2) coordinate with, and match where appropriate, similar programs offered by private employers and county and municipal governments so as to maximize the total amount that home buyers can receive under the program. CDA must (1) allow home buyers to use the loans for the purchase of newly constructed or existing homes and (2) require a home purchased under the program to be occupied by the home buyer as a principal residence.

In addition, CDA must facilitate the marketing of the program with private employers, county and municipal governments, and, where appropriate, other units of State government and nonprofit organizations. CDA must also adopt regulations to implement the program.

Live Near Your Work Program – Community Development Projects

CDA must administer community development projects that (1) are in sustainable communities and (2) provide employees with financial assistance in the form of grants to buy homes near their workplaces. A community development project administered pursuant to these provisions is not subject to specified provisions that require that part of the housing be occupied by families of limited income.

Community Development Projects – Generally

A project qualifies as a community development project if it meets specified housing, infrastructure, and facilities requirements that promote sound community development. A project qualifies as a public purpose project if it is undertaken with the financial assistance of CDA or the assistance of federal low-income housing credits authorized by the Internal Revenue Code and is (1) eligible wholly or partly for federal low-income housing credits or (2) in a location designated as a distressed area by the Secretary of Housing and Community Development. A project qualifies as a rental housing project if (1) its purpose is to acquire, construct, or rehabilitate real property or all or part of a building or improvement that will be occupied by households of limited income and (2) a portion of the rental units in the project are set aside for households of lower income for the greater of 15 years or the number of years required by federal law.

A community development project may include specified public or private facilities that are not needed to support housing if they are less than a substantial part of the project or if

the Secretary of Housing and Community Development finds that they will promote sound community development.

Live Near Your School Program

Chapter 247 of 2021 authorized CDA to administer the Live Near Your School (LNYS) program and a related home buyer assistance program. The home buyer assistance program is authorized to assist current students and recent graduates in receiving low-interest loans to purchase homes near the public institution of higher education attended by the individual. LNYS is authorized to administer community development projects that provide current students and recent graduates with grants to buy homes in sustainable communities that are near the school attended by the student or graduate. The program terminates September 30, 2024.

Maryland Mortgage Program

The Maryland Mortgage Program (MMP), administered by CDA, provides below-market, fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. MMP has annual income requirements limiting who can apply for a loan through the program. Income requirements vary by location and whether the home is in a “targeted area.”

House Keys 4 Employees, a program within MMP, offers qualified homebuyers up to \$9,500 in additional down payment and closing cost assistance in the form of a no-interest deferred loan. To qualify for the program, homebuyers must be employed by a participating program partner and meet specified criteria established by the partner. DHCD advises that the following local school systems participate in the program: Baltimore City, Calvert, Charles, and Montgomery counties.

Sustainable Communities

A “sustainable community” is defined as a part of a priority funding area that (1) is designated by the Smart Growth Subcabinet on the recommendation of the Secretary of Housing and Community Development; (2) has been designated as a Base Realignment and Closure Revitalization Incentive Zone; or (3) has been designated a transit-oriented development.

Chapter 759 of 1997 established that State spending on certain growth-related activities must be directed to priority funding areas. Growth-related projects include most State programs that encourage or support growth and development such as highways, sewer and

water construction, economic development assistance, and State leases or construction of new office facilities. Priority funding areas include all municipalities that existed in the State in 1997; areas inside the Washington Beltway and the Baltimore Beltway; and areas designated as enterprise zones, neighborhood revitalization areas, heritage areas, and certain industrial areas. Areas that were annexed by a municipality after 1997 may also be designated priority funding areas, as long as the areas satisfy specified requirements in statute generally related to density, water and sewer access, and other related factors.

State Expenditures: The bill creates three different assistance programs for school staff members. Even though the bill terminates September 1, 2027, it is assumed, for the purpose of this analysis, that program activity ends at the close of fiscal 2027 and financial assistance is not provided in fiscal 2028.

Exhibit 1 summarizes the total estimated expenditures to implement the three programs (including costs to provide rental assistance payments and LYWYT grants, as well as administrative costs). As shown in the exhibit, total expenditures in fiscal 2025 are approximately \$1.6 million, of which \$1.0 million is general funds. Costs are higher in the two out-years, largely due to annualization and increasing participation, before the programs terminate at the end of fiscal 2027. More detail on these costs is provided below.

Exhibit 1
Total Expenditures by Fund Type

<u>Program</u>	<u>Fund Source</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Home Buyer Assistance	Existing	n/a	n/a	n/a
Rental Assistance Payments	GF	\$900,000	\$2,100,000	\$1,800,000
LNWYT Grants	GO Bond/PAYGO	562,500	750,000	750,000
Administrative Costs	GF	134,853	156,843	161,488
Total General Fund		\$1,034,853	\$2,256,843	\$1,961,488
Total GO Bond/PAYGO		\$562,500	\$750,000	\$750,000
Total Expenditures		\$1,597,353	\$3,006,843	\$2,711,488

GF: general fund

GO Bond/PAYGO: general obligation bond/pay-as-you-go

LNWYT: Live Near Where You Teach

n/a: not applicable

Source: Department of Legislative Services

Home Buyer Assistance Program Loans

DHCD advises that the loan provisions of the home buyer assistance program for school staff members are substantially similar to MMP and the House Keys 4 Employees Program. Therefore, DHCD advises that it can administer and provide the home buyer assistance loans using existing budgeted resources.

Rental Assistance Program Payments

The payment provisions of the rental assistance program are not similar to existing programs within DHCD. Neither DHCD nor the Department of Legislative Services is aware of available funding sources that may be used for these provisions of the bill. Therefore, to the extent that CDA elects to operate the program, general funds are assumed to be needed.

For the rental assistance program to be viable, DHCD advises that it needs at least 100 program participants each year. The bill also explicitly states that rental assistance payments be \$1,000 per month for eligible program participants (for 18 months). Therefore, general fund expenditures increase by \$900,000 in fiscal 2025 for payments under the program, which accounts for the bill’s October 1, 2024 effective date. **Exhibit 2** shows the estimated payments for fiscal 2026 and 2027 based on 100 new individuals receiving rental assistance each year.

Exhibit 2
Estimated Annual Costs of Rental Assistance Program Payments

	<u>Individuals</u>	<u>FY 2025</u>		<u>FY 2026</u>		<u>FY 2027</u>	
		<u>Months</u>	<u>Cost</u>	<u>Months</u>	<u>Cost</u>	<u>Months</u>	<u>Cost</u>
Cohort 1	100	9	\$900,000	9	\$900,000	0	\$0
Cohort 2	100			12	1,200,000	6	600,000
Cohort 3	100					12	1,200,000
Total			\$900,000		\$2,100,000		\$1,800,000

Source: Department of Legislative Services

Live Near Where You Teach Program Grants

Similar to the rental assistance program, DHCD advises that it needs to have at least 100 program participants each year under LNWT. DHCD also assumes that grants

offered under the program need to total approximately \$7,500 per participant, resulting in \$750,000 annually in general fund expenditures (through fiscal 2027) for grants; the prorated total for fiscal 2025 is \$562,500 due to the bill’s effective date. Finally, because DHCD advises that down payment assistance programs like LNWYT are typically funded through the capital budget, this analysis assumes that funding for the program is either GO bond proceeds or PAYGO general funds.

Administrative Expenses

As the rental assistance program and LNWYT are new programs and DHCD does not currently administer similar programs, DHCD requires additional staff to administer the two programs. Therefore, general fund administrative expenditures increase by \$134,853 in fiscal 2025, which accounts for the bill’s October 1, 2024 effective date. This estimate reflects the cost of hiring (1) one contractual financial analyst to oversee grant awards and payments and (2) one half-time contractual financial analyst to handle general accounting operations for both the rental assistance program and LNWYT. It includes salaries, fringe benefits, one-time start-up costs, marketing, and other ongoing operating expenses.

Contractual Positions	1.5
Salaries and Fringe Benefits	\$83,245
Marketing Expenses	37,500
Other Operating Expenses	<u>14,108</u>
Total FY 2025 Administrative Expenditures	\$134,853

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Future year administrative expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. This analysis assumes that the contractual positions terminate at the close of fiscal 2027, prior to the bill’s termination date and consistent with the termination of program funding as assumed in this analysis.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 81 of 2023 and HB 81 of 2022.

Designated Cross File: None.

Information Source(s): Baltimore City; Allegany, Harford, Montgomery, Talbot, and Wicomico counties; Maryland State Department of Education; Department of Housing and Community Development; Baltimore City Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2024
km/mcr

Analysis by: Thomas S. Elder

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