

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 111 (Delegate Elliott, et al.)
Environmental Matters

Lead Poisoning Prevention Reform - Disclosure of Condition

This bill provides that the owner of an affected residential rental property may elect to disclose the condition of the property to the Maryland Department of the Environment (MDE) and to affected tenants rather than treating the property to meet risk reduction standards. A landowner who elects to disclose this information must have the property inspected by an accredited individual in accordance with specified procedures. Before the execution of a lease or inception of tenancy of an affected property, the landowner must provide the tenant with a notarized copy of the inspection report along with the notice of tenant's rights. A landowner who elects to disclose property conditions rather than meet risk reduction standards is liable for increased aggregate maximum caps when making a qualified offer.

When registering with MDE, the landowner must provide a copy of the inspection report as well as a one-time filing fee of \$10 for each unit; the landowner is not subject to any other registration fees. Any landowner who has paid an annual registration fee by December 31, 1995 is not required to submit a filing fee. Landowners who elect not to disclose must meet modified risk reduction standards by September 30, 1996, rather than September 30, 1994.

Fiscal Summary

State Effect: Potential significant decrease in revenues and expenditures.

Local Effect: Potential indeterminate decrease in revenues and expenditures.

Fiscal Analysis

Background: Chapter 411 of 1994 established the Lead Paint Poisoning Prevention Program. The program provides limited liability relief for owners of rental property built before 1950 and others in exchange for the reduction of lead hazards in these older rental properties and limited compensation of children poisoned by lead. The program also provides increased public health intervention. The program receives funding from property registration fees: \$10 annually for dwellings built before 1950 and \$5 annually for non-affected properties built after 1949. Although the program was due to begin in October 1994, controversy over MDE's proposed regulations delayed full implementation of the program until February 1996.

State Effect: To the extent that owners elect to disclose, special fund revenues would decrease in the out-years due to the substitution of a one-time fee (\$10) for the current yearly fee (\$10). In fiscal 1997 fee revenues could potentially increase to the extent that owners of affected properties would be more willing to register under the disclosure conditions; however, this could be offset by those property owners who elect to disclose and would not have to pay a filing fee since they had already paid an annual fee in 1995.

The original fiscal estimate for program registrations projected fee revenues of \$3.3 million; however, MDE currently projects receiving \$1.6 million for the December 1996 billing cycle. This is based on actual fee collections of \$1.1 million in 1995 with an additional \$500,000 that has been received in 1996 due to reminder letters.

Given the current requirement under Chapter 114 of the Acts of 1994 that MDE spend \$750,000 on outreach and education, significant reductions in revenues would severely impact the functioning of any inspection or other activities. It is not clear at this time if MDE would seek a general fund appropriation for these purposes if the special fund revenues are not available.

Local Effect: Under current law, MDE must develop community outreach programs which can be provided by local governments and must assist local governments to provide case management services. While MDE reports that no funds are targeted specifically for local grants, the fiscal 1997 budget allowance includes approximately \$50,000 dedicated to public health case management and approximately \$300,000 for education and outreach. According to MDE, some portion of these funds could go to local governments if they apply for projects in these areas.

The amount available to be granted to local governments, particularly for public health case management, could be significantly reduced if registration fees are affected as discussed above. Local expenditures could decrease if relevant public health activities are dependent

upon receiving State funding.

Information Source(s): Maryland Department of the Environment, Department of Fiscal Services

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