

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

Senate Bill 660

(Senators Kittleman and Schrader)

Judicial Proceedings

Judiciary

Criminal Law - Housing Assistance - Fraud Ho. Co. 11-02

This bill makes it a misdemeanor to knowingly make a false statement of a material fact to influence a housing agency regarding an application for housing assistance or an action affecting housing aid already provided. A violator is guilty of a misdemeanor and subject to a fine not exceeding \$5,000 or imprisonment not exceeding three years, or both.

The bill defines housing assistance as financial assistance offered to obtain housing based on need under a program administered by a housing agency and financed wholly or partially by federal, State, or local funds. Financial assistance under the bill is defined as any form of assurance, guarantee, grant, payment or other assistance, including a loan, loan guarantee, or reduction in the principal obligations of or rate of interest payable on a loan or portion of a loan. Housing agencies include local housing authorities and the Department of Housing and Community Development (DHCD).

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures due to the bill's penalty provisions.

Local Effect: Potential minimal increase in revenues and expenditures from the bill's penalty provisions.

Small Business Effect: Potential minimal.

Analysis

Current Law: Any person who applies for a loan may not knowingly make or cause any false statement or report to be made to influence DHCD's action on a loan application or a loan already made for the following programs: Rental Housing Production, Group Home Financing, Settlement Expense Loan, Partnership Rental Housing, Lead Hazard Reduction Grant, and Lead Hazard Reduction Loans. A violator is guilty of a misdemeanor and upon conviction is subject to a fine not exceeding \$50,000 or imprisonment not exceeding five years or both.

A person who commits these actions for an application involving the Maryland Home Financing or Maryland Housing Rehabilitation programs is also guilty of a misdemeanor and, upon conviction, is subject to a fine not exceeding \$5,000 or imprisonment not exceeding two years or both. In addition, every borrower under the Housing Rehabilitation Program who knowingly makes or causes to be made a false statement or report may be subject to immediate acceleration of the loan for which the borrower is liable, at DHCD's discretion.

Background: DHCD advises that it is a misdemeanor to make a false statement on applications for most of its programs; however, a few programs such as Elderly Rental Housing are exempt. It further advises that the types of assistance generally offered by housing authorities, such as leases for property rentals and Section 8 vouchers, may not be considered financial assistance under the legislation. However, it notes that Section 8 vouchers would also be covered by federal laws that prohibit housing fraud.

State Revenues: General fund revenues could increase minimally as a result of the bill's monetary penalty provision from cases heard in the District Court.

State Expenditures: General fund expenditures could increase minimally as a result of the bill's incarceration penalty due to more people being committed to Division of Correction (DOC) facilities and increased payments to counties for reimbursement of inmate costs. The number of people convicted of this proposed crime is expected to be minimal. The Division of Correction advises that there were only 12 intakes for fraud-related crime in 2001.

Generally, persons serving a sentence longer than one year are incarcerated in DOC facilities. Currently, the average total cost per inmate, including overhead, is estimated at \$1,850 per month. This bill alone, however, should not create the need for additional beds, personnel, or facilities. Excluding overhead, the average cost of housing a new DOC inmate (including medical care and variable costs) is \$300 per month.

Local Revenues: Revenues could increase minimally as a result of the bill's monetary penalty provision from cases heard in the circuit courts.

Local Expenditures: Expenditures could increase minimally as a result of the bill's incarceration penalty. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$20 to \$84 per inmate in fiscal 2003. Revenues could increase minimally as a result of the bill's monetary penalty provision from cases heard in the circuit courts.

Additional Information

Prior Introductions: An identical bill was introduced as HB 1297 during the 2001 session and given an unfavorable report by the Judiciary Committee.

Cross File: None. However, an identical bill has been introduced as HB 1080.

Information Source(s): Department of Housing and Community Development, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2002
ncs/cer Revised - Enrolled Bill - April 22, 2002

Analysis by: Ann Marie Maloney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510