

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 786

(Senator Stone)

Education, Health, and Environmental Affairs and
Budget and Taxation

Environmental Matters

**Hurricane Isabel Disaster Relief Act - Reporting Requirements - Financial
Assistance Applications - Extension of Termination**

This emergency bill extends, by one year, the termination date of the Hurricane Isabel Disaster Relief Act (through May 31, 2006) and the corresponding final reporting requirement. Accordingly, the Department of Housing and Community Development (DHCD) must issue its final report on the implementation of the Act by September 30, 2006. The bill also adds an interim reporting requirement; that report is due by September 30, 2005. All applications for financial assistance must be received by September 30, 2005, and may be considered for financial assistance through May 31, 2006.

Fiscal Summary

State Effect: None. DHCD is likely to receive few new applications, if any, for financial assistance after May 31, 2005, and has sufficient resources to process applications currently in review. DHCD has also identified additional resources to provide financial assistance for these applications. Staffing for reports could be provided with existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 8 of 2004, the Hurricane Isabel Disaster Relief Act, established the Hurricane Isabel Housing Rehabilitation and Renovation Program (HIHRRP) in DHCD. Under this program, DHCD must provide to residents affected by Hurricane Isabel:

- low-interest loans for first or subordinate mortgages to rehabilitate or renovate primary residences;
- credit enhancements for privately obtained loans to rehabilitate or renovate primary residences; or
- financial assistance under a buy-down program that provides aid to reduce the interest rate or amount a borrower pays on a loan for a defined period of time.

DHCD is authorized to use funds from: (1) the Maryland Housing Rehabilitation Program (MHRP); (2) the Maryland Housing Fund (for credit enhancements, subject to the reserve balance); and (3) any other State or federal housing or community development program or fund.

DHCD must issue a preliminary report to the General Assembly by September 30, 2004, and a final report by September 30, 2005, on implementation of the Act. The reports must include: the amounts of loans, credit enhancements, and other financial assistance provided; the sources of financial assistance; the names of financial institutions that provided loans for which DHCD offered credit enhancement; and the borrowers' counties of residence.

Background: Hurricane Isabel struck Maryland's shores on September 18, 2003, and destroyed or seriously damaged homes in several areas, particularly in Baltimore, Queen Anne's, and Anne Arundel counties, where flooding reached as high as eight or nine feet. Approximately 17,000 residents applied for federal assistance after the disaster.

Although many Maryland families and businesses had federal flood insurance, others affected by the storm found that their insurance either did not cover flood damage or was inadequate to cover all of the costs of the damage. Demand for DHCD assistance has been high, exceeding the amount budgeted for Hurricane Isabel disaster relief.

According to DHCD, as of February 16, 2005, DHCD had processed 479 applications and made decisions on over 80% of the cases. DHCD has made commitments on, or closed, 152 Hurricane Isabel housing loans totaling \$9.6 million. Another 50 cases are being processed with an estimated additional demand of \$3.4 million.

Consequently, DHCD estimates total demand for funds from the program at about \$13.1 million, a shortfall of \$5.6 million from the original \$7.5 million allocation for HIHRRP. HIHRRP received the allocation from three sources: \$3 million in general funds from the Dedicated Purpose Fund appropriated in the fiscal 2005 budget for this initiative; \$3 million from DHCD's MHRP; and \$1.5 million of the department's federal HOME Investments Partnership Program funds.

DHCD has identified external and internal resources which can be reallocated to meet this additional demand, including a \$2.7 million block grant from the U. S. Department of Housing and Urban Development, and as much as \$800,000 in funds from the Catastrophic Event Fund in fiscal 2005. In addition, DHCD plans to transfer a portion of special fund balances in its housing loans program through a budget amendment.

State Expenditures: There is no anticipated effect on State expenditures. While extension of the May 31, 2005 sunset date of the Act extends the deadline for new cases to apply for relief, Legislative Services advises that there are likely to be few applicants for disaster relief under these programs more than 21 months after Hurricane Isabel. Therefore, new assistance could be handled with existing resources.

DHCD advises that it is committed to helping any individual who applies before the current May 31, 2005 deadline and intends to focus on contacting individuals still living in Federal Emergency Management Agency (FEMA) trailers. DHCD advises that it has relied on existing staff on a short-term basis to implement and administer HIHRRP; however, these employees were expected to return to their regular duties in fiscal 2006 based on the May 31, 2005 sunset date under current law. DHCD estimates that three additional contractual positions would be needed for one year if the Act is extended.

Legislative Services advises that DHCD has already contacted all individuals living in FEMA trailers and offered assistance; those who have not applied are likely to either be ineligible or not wish DHCD assistance. Therefore, as there would be a very small or no increase in caseload due to new applicants, DHCD could handle staffing and the additional reporting requirement with existing resources.

Additional Information

Prior Introductions: None.

Cross File: HB 1281 (Delegate Weir, *et al.*) – Environmental Matters.

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

Fiscal Note History: First Reader - February 16, 2005
mll/rhh Revised - Enrolled Bill - May 2, 2005

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