

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 683 (Senator Grosfeld, *et al.*)  
 Education, Health, and Environmental Affairs

**Department of Housing and Community Development - Rental Allowance  
 Program Fund**

This bill expands eligibility for the Rental Assistance Program (RAP), establishes a separate RAP special fund, and creates an additional \$5 special transfer tax as a dedicated source of funding for RAP.

**Fiscal Summary**

**State Effect:** Special fund revenues could increase by \$3.8 million in FY 2007 and \$5 million annually thereafter due to the \$5 additional special transfer tax. Department of Housing and Community Development (DHCD) expenditures would increase by the same amount for additional RAP payments.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$3,750,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
SF Expenditure	3,750,000	5,000,000	5,000,000	5,000,000	5,000,000
Net Effect	\$0	\$0	\$0	\$0	\$0

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

**Local Effect:** Local expenditures would increase due to increased number of individuals assisted by RAP.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The bill removes the 12-month time limit for RAP assistance, and expands eligibility to include eligible households in which a member has a disability, regardless of other requirements. The Rental Allowance Program Fund is a special nonlapsing fund administered by the Secretary of Housing and Community Development to administer RAP. Money from the fund is intended to supplement, not take the place of, RAP funding that would otherwise be appropriated to RAP.

In addition to other specified funding sources, the RAP fund is to be funded by an additional \$5 special transfer tax assessed on an instrument of writing recorded with the clerk of the circuit court for a county or filed with the State Department of Assessments and Taxation (SDAT) on articles of transfer, merger, or consolidation.

**Current Law:** RAP provides fixed monthly rental allowance payments to or on behalf of eligible lower-income households. The income limits for the program cannot exceed 30% of the State or area median income, whichever is higher. Assistance is limited to 12 consecutive months, unless the Secretary determines that undue hardship will result from terminating the payments. The Secretary must also determine the maximum payment possible based on household size, and assistance may only be used for rent or a security deposit. RAP assistance is only available to qualified homeless individuals, and eligible households with critical and emergency housing needs that cannot be served by a federal or more cost effective State housing assistance program.

The State transfer tax is imposed on an instrument of writing recorded with the clerk of the circuit court for a county or filed with SDAT on articles of transfer, merger, or consolidation. An instrument of writing is a written document that conveys title to or, creates or gives notice of a security interest in real property; or creates or gives notice of a security interest in personal property. This includes, but is not limited to, deeds, contracts, and certain leases of real property.

The transfer tax is 0.5% of the consideration payable for the instrument of writing. The amount of the transfer tax is reduced for first-time homebuyers, and must be paid by the seller. Specified transfers, such as a transfer between family, or a transfer between related corporations, are exempt from the transfer tax.

**Background:** RAP is administered by local governments, but funded by DHCD. Eligible housing can include rooms, boarding house rooms, other single-room occupancy arrangements, apartments, group homes, transitional housing (provided it is not temporary emergency housing), single-family houses, and mobile homes. Motel and

hotel rooms without access to kitchen facilities may be permitted if no other more cost-effective and suitable housing is available.

Assistance ranges from \$150 to \$350 per month based on household size and region. In fiscal 2005, 1,063 families were served by RAP. DHCD anticipates serving 1,000 families in fiscal 2006 and 2007. In fiscal 2005, RAP spent approximately \$1.7 million. RAP's fiscal 2006 working appropriation is \$1.7 million, as is its allowance in the fiscal 2007 Governor's budget.

**State Fiscal Effect:** According to the Administrative Office of the Courts, there are approximately 2 million instruments filed in the State each year. A high portion of these transfers are exempt from the transfer tax including: leases of real property for less than seven years, transfer between family members, or a supplemental agreement to a deed or lease.

If approximately 50% of transfers are subject to the transfer tax, and the number of transfers is approximately 2 million annually, RAP fund revenues could increase by \$3.8 million in fiscal 2007 and by \$5 million annually thereafter.

RAP expenditures would increase by \$3.8 million in fiscal 2007 and by \$5 million annually thereafter for additional RAP payments.

**Local Fiscal Effect:** Local expenditures to administer the RAP program would increase with the number of families applying for additional assistance; however, the amount would depend on the number of new individuals receiving assistance, as compared to the number of individuals who are currently enrolled in RAP who would continue to receive assistance due to the removal of the 12-month cap.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Clerk of the Circuit Court for Prince George's County, State Department of Assessments and Taxation, Judiciary (Administrative Office of the Courts), Department of Housing and Community Development, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2006  
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