

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 424 (Senator Madaleno, *et al.*)  
 Education, Health, and Environmental Affairs and Budget and Taxation

**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 \$2.8 million in FY 2008 and \$3.8 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 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$2,815,500	\$3,754,000	\$3,754,000	\$3,754,000	\$3,754,000
SF Expenditure	2,815,500	3,754,000	3,754,000	3,754,000	3,754,000
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 \$180 to \$560 per month based on household size and region. In fiscal 2006, 779 families were served by RAP. DHCD anticipates serving 475 families in fiscal 2007 and 2008, due to an increase in the amount of assistance offered per family in fiscal 2007. In fiscal 2006, RAP spent approximately \$1.7 million. RAP's fiscal 2007 working appropriation is \$2.4 million, as is its allowance in the fiscal 2008 Governor's budget.

**State Fiscal Effect:** According to the Administrative Office of the Courts, in fiscal 2006 there were approximately 1.7 million land instruments filed; up from 1.4 million in fiscal 2005 and down from 1.9 million in fiscal 2004. A large portion of these transfers are exempt from the transfer tax including: leases of real property for less than seven years, transfers between family members, or supplemental agreements to a deed or lease.

SDAT advises that from fiscal 2004 to 2006, approximately 791 articles of transfers, mergers, or consolidation would have been subject to the special transfer tax each year.

RAP fund revenues could increase by \$2.8 million in fiscal 2008 and by \$3.8 million annually thereafter. This is based on the following assumptions:

- the number of SDAT articles per year subject to the tax averages 791 per year;
- approximately 1.5 million land instruments of writing are filed with the circuit courts annually; and
- approximately 50% of the instruments filed with the circuit courts are subject to the special transfer tax.

RAP expenditures would increase by \$2.8 million in fiscal 2008 and by \$3.8 million annually thereafter for additional RAP payments. DHCD advises that it could absorb any additional administrative expenses with existing resources. SDAT advises that administrative costs would total approximately \$500 annually. Legislative Services advises this could be absorbed with existing resources.

**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.

## **Additional Information**

**Prior Introductions:** SB 683 of 2006, an identical bill, received a favorable with amendments report from the Senate Education, Health and Environmental Affairs Committee, but did not pass out of the Senate.

**Cross File:** HB235 (Delegate Stukes) – Environmental Matters.

**Information Source(s):** Anne Arundel County, Caroline County, Montgomery County, Prince George’s County, Comptroller’s Office, 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 - February 14, 2007  
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