

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 813

(Senator Madaleno, *et al.*)

Education, Health, and Environmental Affairs

Environment and Transportation

**Department of Housing and Community Development - Rental Assistance
Programs - Duration of Assistance**

This bill requires that payments made through the Department of Housing and Community Development's (DHCD) Rental Allowance Program (RAP) to eligible households be made for at least two consecutive years. Households must requalify for assistance every six months. Likewise, the bill alters the criteria for other rental assistance programs within DHCD such that the programs must offer assistance for at least two consecutive years. The bill expresses the intent of the General Assembly that DHCD structure a schedule of rental allowance payments made through RAP to ensure that a household assisted under the program not pay more than 30% of its verifiable annual income for rent and utility costs. Finally, the bill requires DHCD to annually report to specified legislative committees on the implementation of the bill for three years, with the first report due October 1, 2018.

The bill's reporting requirements terminate October 1, 2020.

Fiscal Summary

State Effect: None. Allowing program participants to receive assistance for a longer period of time likely reduces the total number of people served by the program; however, this change has no effect on State finances. DHCD can handle the reporting requirement with existing resources.

Local Effect: Local jurisdictions with recipients of rental assistance funds may be operationally affected by the bill's more frequent recertification requirements. However, local government finances are not anticipated to be materially affected by the bill.

Small Business Effect: None.

Analysis

Current Law: DHCD must administer RAP to assist low-income households that are homeless or at risk of being homeless by providing housing assistance payments to (or on behalf of) eligible households. The Secretary of Housing and Community Development must establish (1) income limits for eligibility of low-income households that are up to 30% of the State or area median income, whichever is higher, and (2) minimum standards for eligible dwelling units. The Secretary must also establish the amount of payments that are made through RAP, taking into account specified factors. Eligible uses of payments include rent, security deposits, utilities, and other housing-related expenses. DHCD may administer RAP by providing monthly housing assistance payments to (or on behalf of) eligible households directly or through political subdivisions, their local housing agencies or departments, or nonprofit organizations. DHCD is authorized to adopt regulations to carry out RAP, including timeframes for assistance and other appropriate criteria.

Other Rental Assistance Programs

DHCD is also authorized to establish and administer other rental assistance programs, including programs to assist households that (1) are homeless or at risk of homelessness; (2) include an individual with a disability or special need; (3) have been displaced or impacted by a disaster; or (4) have a critical or emergency housing need. DHCD's other programs are required to be administered in the same way as RAP. DHCD is required to consult with various other State agencies as well as units of local government when appropriate. The Secretary of Housing and Community Development must establish criteria for the programs, including:

- income limits for households;
- timeframes for assistance;
- monthly assistance amounts;
- standards for eligible dwelling units, including types of units, inspection standards, and rent limits;
- eligible uses of assistance payments, which may include security deposits, utilities, and other housing related expenses; and
- any other criteria the Secretary considers appropriate.

In establishing program criteria, the Secretary may consider factors that include:

- household size and expected average income;
- regional variation throughout the State;
- typical housing costs and expenses;
- relevant standards and definitions established for State and federal housing programs;
- housing needs of eligible households and the expected duration of the housing needs; and
- equitable distribution of funds statewide.

The Secretary is authorized to establish different criteria for different rental assistance programs.

Background: DHCD advises that RAP provides grants to local governments to provide rent subsidies to low-income families who either are homeless or have an emergency housing need. The goal of the program is to enable these households to move from homelessness or temporary emergency housing into more permanent housing and to return to self-sufficiency.

Eligible Types of Housing

Eligible housing can include rooms, boarding house rooms, other single-room occupancy arrangements, apartments, group homes, transitional housing (but not temporary emergency housing), single-family houses, and mobile homes. Kitchen and bathroom facilities may be shared or independent. Motel and hotel rooms without access to kitchen facilities may be permitted if other more cost-effective and suitable housing is not available. Living facilities may be shared with other persons, including other program recipients. Housing may be furnished or unfurnished.

Length of Subsidy

RAP is a rent subsidy program. Local government administering agencies sign a contract with eligible residents to provide a monthly rental allowance payment for up to 12 months. Local programs may also provide additional services such as housing counseling, credit counseling, and individual case management programs to help the family maintain housing stability. The amount of monthly rental allowance payments is based on family size and area of the State. The payment amount may be increased or decreased by up to 10% in the exercise of reasonable discretion by a local jurisdiction.

Local Government Involvement

County governments, Baltimore City, and the City of Annapolis administer RAP by accepting applications from eligible residents, coordinating the program with other social services administered by the county, and providing staff links with the Community Development Administration to ensure program requirements are being met. RAP is usually administered by the local social services office or the Section 8 agency (*i.e.*, public housing authority), or is contracted by the county to a nonprofit organization.

According to DHCD, RAP's annual budget is approximately \$1.7 million. Program funds are distributed to recipients throughout the State by formula. In fiscal 2016, RAP served 612 individuals, or approximately 204 households.

As noted above, the bill also affects "other rental assistance programs" as defined under State law. In addition to RAP, DHCD advises that the department is currently operating a short-term rental program for veterans with Freddie Mac Foundation grant funds. Thus, that program is also affected by the bill's requirements.

Additional Information

Prior Introductions: None.

Cross File: HB 689 (Delegate Valentino-Smith, *et al.*) - Environment and Transportation.

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

Fiscal Note History: First Reader - February 10, 2017
mm/mcr Third Reader - March 24, 2017
Revised - Amendment(s) - March 24, 2017
Revised - Clarification - March 24, 2017

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