

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1173 (Senator Mathias)
Education, Health, and Environmental Affairs

Home Sprinkler and Fire Safety Assistance Fund - Pilot Program

This bill establishes the Home Sprinkler and Fire Safety Assistance Fund within the Department of Housing and Community Development (DHCD) to provide grants to specified homebuyers to offset the costs of installing sprinkler systems in the homes they purchase. The Governor must include \$300,000 for the fund in the annual State budget from fiscal 2020 through 2022. The bill also establishes a related study and reporting requirement. **The bill takes effect July 1, 2018, and terminates June 30, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by \$300,000 annually from FY 2019 through 2022 to capitalize the fund; special fund revenues and expenditures increase correspondingly. General fund administrative expenditures for DHCD increase by \$49,000 in FY 2019; future year administrative expenditures reflect annualization and the bill's termination date. General fund revenues increase minimally from interest. **This bill establishes a mandated appropriation for FY 2020 through 2022.**

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	-	-	-	-	\$0
SF Revenue	\$300,000	\$300,000	\$300,000	\$300,000	\$0
GF Expenditure	\$349,000	\$355,200	\$357,100	\$359,000	\$0
SF Expenditure	\$300,000	\$300,000	\$300,000	\$300,000	\$0
Net Effect	(\$349,000)	(\$355,200)	(\$357,100)	(\$359,000)	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The fund consists of (1) money appropriated in the State budget and (2) any other money from any other source accepted for the benefit of the fund. Interest generated by the fund accrues to the general fund.

Grants must be awarded to applicants in the order they apply and may be used only for providing grants to homebuyers who are in the process of purchasing a home that (1) is a single-family detached home; (2) is less than 2,500 square feet; (3) uses well water and is not in an area where public water is provided or where there is a plan to provide public water; and (4) will be the homebuyer's primary residence and owner occupied. In addition, homebuyers must have an annual income equal to or less than the income limits under the Maryland Mortgage Program (MMP). In calculating income levels, DHCD must use (1) the targeted limits for a county, if available; (2) the nontargeted limits, if the targeted limits are unavailable; and (3) the appropriate target limit for the household size.

DHCD must study (1) the number of homes that have benefited through grants from the fund and (2) the effect the fund has had on fire safety. By December 1, 2021, DHCD must report its findings to the Governor and the General Assembly.

Current Law/Background:

Maryland Mortgage Program

MMP, administered by the Community Development Administration, provides below market fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. MMP has annual income requirements limiting who can apply for a loan through the program. Income requirements vary by location and whether the home is in a "Targeted Area."

"Targeted Areas" are established by the U.S. Census Bureau and are geographic zones inside of which there are fewer restrictions for homebuyers using MMP. Maryland's counties fall into three categories when it comes to Targeted Areas: some counties are fully Targeted Areas; some counties have no Targeted Areas in them at all; and other counties have some areas that are Targeted Areas, and others that are not. **Appendix 1 – Maryland Mortgage Program Income Limits** shows income limits by county and by Targeted Areas.

Maryland Building Performance Standards

DHCD is required to adopt, as the Maryland Building Performance Standards (MBPS), the most recent version of the International Building Code (IBC), including the International Energy Conservation Code (IECC), along with applicable modifications authorized in Title 12 of the Public Safety Article. DHCD currently incorporates by reference the 2015 IBC, including the 2015 IECC, with modifications, as MBPS. In general, the standards apply to all buildings and structures within the State for which a building permit application is received by a local government.

Chapters 265 and 266 of 2012 prohibited local amendments to MBPS that weaken the automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings contained in MBPS.

State Fiscal Effect: General fund expenditures increase by \$300,000 annually from fiscal 2019 through 2022 to capitalize the fund. Although the mandated appropriation does not take effect until fiscal 2020, this analysis assumes that, given the bill's July 1, 2018 effective date, funding is provided in fiscal 2019. Special fund revenues for, and expenditures from, the new fund increase correspondingly each year. General fund revenues increase from interest earned on the new fund; however, given the small size of the fund, any interest income is expected to be minimal.

The bill does not authorize the special fund to be used for administrative expenses. Thus, general fund administrative expenditures for DHCD increase by \$48,974 in fiscal 2019, which accounts for a 90-day start-up delay from the bill's July 1, 2018 effective date. This estimate reflects the cost of hiring one contractual program manager to administer the program and complete the required study and report. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1
Salary and Fringe Benefits	\$43,615
Equipment/Operating Expenses	<u>5,359</u>
Total FY 2019 Administrative Expenditures	\$48,974

Future year administrative expenditures reflect annual increases in the salary, employee turnover, ongoing operating expenses, and the bill's termination date.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

This analysis assumes that local code inspectors, not DHCD, are responsible for inspecting and approving the installation of sprinkler systems in new homes that receive grants under the bill. DHCD can request inspection reports from local governments or from grantees to confirm that grantees actually install sprinkler systems in their new homes.

Additional Information

Prior Introductions: HB 1623 of 2017, a similar bill, was referred to the House Rules Committee, but no further action was taken. Although not designated as a cross file, SB 1103 was identical and received an unfavorable report by the Senate Education, Health, and Environmental Affairs Committee.

Cross File: HB 1389 (Delegate Sample-Hughes, *et al.*) - Environment and Transportation.

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

Fiscal Note History: First Reader - March 16, 2018
md/mcr

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Appendix 1 – Maryland Mortgage Program Income Limits

Counties and City	Targeted Area	Household Size	Income Limits		Maximum Purchase Prices	
			Nontargeted	Targeted	Nontargeted	Targeted
Allegany	Full	1 or 2		\$111,000		\$310,211
		3 or more		\$129,500		
Anne Arundel	Partial	1 or 2	\$109,320	\$111,000	\$476,471	\$582,353
		3 or more	\$127,540	\$129,500		
Baltimore City	Full	1 or 2		\$111,000		\$582,353
		3 or more		\$129,500		
Baltimore	Partial	1 or 2	\$109,320	\$111,000	\$476,471	\$582,353
		3 or more	\$127,540	\$129,500		
Calvert	No	1 or 2	\$132,360		\$585,714	
		3 or more	\$154,420			
Caroline	Full	1 or 2		\$111,000		\$310,211
		3 or more		\$129,500		
Carroll	No	1 or 2	\$109,320		\$476,471	
		3 or more	\$127,540			
Cecil	No	1 or 2	\$92,500		\$349,412	
		3 or more	\$106,375			
Charles	No	1 or 2	\$132,360		\$585,714	
		3 or more	\$154,420			
Dorchester	Full	1 or 2		\$111,000		\$310,211
		3 or more		\$129,500		
Frederick	Partial	1 or 2	\$132,360	\$132,360	\$585,714	\$715,872
		3 or more	\$154,420	\$154,420		
Garrett	Full	1 or 2		\$111,000		\$310,211
		3 or more		\$129,500		
Harford	Partial	1 or 2	\$109,320	\$111,000	\$476,471	\$582,353
		3 or more	\$127,540	\$129,500		
Howard	No	1 or 2	\$109,320		\$476,471	
		3 or more	\$127,540			
Kent	Full	1 or 2		\$111,000		\$327,412
		3 or more		\$129,500		
Montgomery	Partial	1 or 2	\$132,360	\$132,360	\$585,714	\$715,872
		3 or more	\$154,420	\$154,420		
Prince George's	Partial	1 or 2	\$132,360	\$132,360	\$585,714	\$715,872
		3 or more	\$154,420	\$154,420		
Queen Anne's	No	1 or 2	\$109,320		\$476,471	
		3 or more	\$127,540			
St. Mary's	No	1 or 2	\$99,600		\$319,765	
		3 or more	\$114,540			
Somerset	Full	1 or 2		\$111,000		\$355,882
		3 or more		\$129,500		
Talbot	No	1 or 2	\$92,500		\$352,589	
		3 or more	\$106,375			
Washington	Partial	1 or 2	\$92,500	\$111,000	\$253,809	\$310,211
		3 or more	\$106,375	\$129,500		
Wicomico	Partial	1 or 2	\$92,500	\$111,000	\$291,176	\$355,882
		3 or more	\$106,375	\$129,500		
Worcester	No	1 or 2	\$92,500		\$291,176	
		3 or more	\$106,375			