

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 770

Finance

(Senator Ferguson)

Economic Matters

**Department of Housing and Community Development - Homeowner Utility
Repair Program and Fund - Establishment**

This bill establishes a Homeowner Utility Repair Program (HURP) and a Homeowner Utility Repair Fund (HURF) within the Department of Housing and Community Development (DHCD). Generally, the purposes of the program and fund are to reimburse and offset the costs an eligible utility customer incurs for eligible repairs to residential structures, as specified. Beginning in fiscal 2024, the Governor must include in the annual budget bill an appropriation of \$500,000 for HURF. DHCD must adopt regulations to administer HURF, as specified.

Fiscal Summary

State Effect: General fund expenditures increase by \$93,900 in FY 2023; future year expenditures reflect the mandated funding and ongoing administrative costs (annualized and adjusted for inflation). Special fund revenues and expenditures increase by \$500,000 annually beginning in FY 2024, reflecting receipt of the mandated funding and associated spending. **This bill establishes a mandated appropriation beginning in FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$500,000	\$500,000	\$500,000	\$500,000
GF Expenditure	\$93,900	\$789,700	\$797,800	\$805,600	\$813,700
SF Expenditure	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Net Effect	(\$93,900)	(\$789,700)	(\$797,800)	(\$805,600)	(\$813,700)

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

Local Effect: None. The bill does not affect local government finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Select Definitions

“Eligible customer” means a residential utility customer whose household income does not exceed 120% of the State median income. “State median income” means the median household income for the State, as adjusted for household size.

“Eligible repair” means the repair of damage to a wall, ceiling, or floor inside a residential structure caused by a required upgrade, repair, or maintenance action conducted by a utility company for which the utility company does not make the repair or reimburse the customer for the repair. “Utility company” means an electric company, a gas company, or a gas and electric company.

Homeowner Utility Repair Program

The stated purpose of HURP is to (1) reimburse eligible customers for the cost of eligible repairs and (2) provide grants to eligible customers to fund eligible repairs.

Beginning July 1, 2023, an eligible customer may apply for reimbursement under HURP for the actual costs of an eligible repair. The maximum reimbursement issued for an eligible repair may not exceed \$1,000. Also beginning July 1, 2023, an eligible customer may apply for a grant equal to the amount specified in a licensed contractor’s estimate for the total cost of eligible repairs. The maximum grant awarded may not exceed \$1,000. Following the completion of an eligible repair funded by a grant, an eligible customer must (1) submit documentation of the final bill, as required by DHCD, and (2) return to DHCD any unspent grant funds.

Homeowner Utility Repair Fund

HURF is a special, nonlapsing fund that consists of (1) money appropriated in the State budget to HURF; (2) interest earnings; and (3) any other money from any other source accepted for the benefit of HURF. Beginning in fiscal 2024, the Governor must include in the annual budget bill an appropriation of \$500,000 for HURF.

The stated purpose of HURF is to offset the costs an eligible customer incurs for an eligible repair. HURF may only be used to (1) reimburse eligible customers for the cost of eligible repairs and (2) provide grants to eligible customers to fund eligible repairs. Expenditures from HURF may be made only in accordance with the State budget.

DHCD must adopt regulations to administer HURF, including regulations establishing (1) reimbursement and grant eligibility requirements; (2) application procedures; (3) documentation requirements; and (4) procedures for returning unspent funds following receipt of a grant.

Current Law: No dedicated fund currently exists to reimburse and offset the costs an eligible customer incurs for repairs made to residential structures in connection with upgrades, repairs, or maintenance actions conducted by utility companies.

State Fiscal Effect:

Mandated Funding for the Homeowner Utility Repair Fund

General fund expenditures increase by \$500,000 annually beginning in fiscal 2024 to capitalize the new special fund, reflecting the bill's mandated appropriation. Special fund revenues to HURF increase correspondingly, reflecting receipt of the general fund appropriations to the fund. Special fund expenditures also increase by an equivalent amount, reflecting spending from HURF. This estimate assumes that spending from the fund occurs in the same fiscal year that the funding is received. This analysis does not reflect any unspent grant funds that may be returned by grant recipients.

Administrative Costs

DHCD advises that it does not have the resources necessary to fulfill the bill's requirements and administer approximately 500 grants annually. Accordingly, general fund administrative expenditures increase by \$93,872 in fiscal 2023 and by \$289,665 in fiscal 2024, which reflects hiring staff on April 1, 2023 (three months prior to the availability of grant funding and the date by which eligible customers may begin applying for reimbursement or grants). Specifically, this estimate reflects the cost of hiring two development officers and one financial analyst to manage accounting and financial aspects of the program. The fiscal 2023 estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The fiscal 2024 estimate reflects full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

	<u>FY 2023</u>	<u>FY 2024</u>
Positions (New)	3.0	0
Salaries and Fringe Benefits (Total)	\$73,433	\$286,469
Operating Expenses	<u>20,439</u>	<u>3,196</u>
Total DHCD Admin. Expenditures	\$93,872	\$289,665

Future year administrative expenditures, which range from \$297,803 in fiscal 2025 to \$313,705 in fiscal 2027, also reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Small Business Effect: Small businesses (such as contractors, *etc.*) may benefit if customers whose homes have been affected by a utility company's routine maintenance, repairs, or upgrades use funds obtained from HURF for home repair.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1271 (Delegate R. Lewis) - Economic Matters.

Information Source(s): Harford and Montgomery counties; City of College Park; Department of Housing and Community Development; Department of Human Services; Maryland Energy Administration; Public Service Commission; Department of Legislative Services

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