

Department of Legislative Services
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2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 537 (Delegate Ivey)

Environment and Transportation

**Housing and Community Development - Homeowner's Extreme Weather
Mitigation and Preparation Grant Program**

This bill establishes the Homeowner's Extreme Weather Mitigation and Preparation Grant Program within the Department of Housing and Community Development (DHCD). The purpose of the program is to assist homeowners, local governments, and nonprofit organizations in preparing and repairing residential properties to mitigate water damage caused by extreme weather. The bill requires the Governor, beginning in fiscal 2024 and each fiscal year thereafter, to include in the annual budget bill an appropriation of \$5.0 million for the program.

Fiscal Summary

State Effect: General fund expenditures increase by \$221,100 in FY 2023 and by \$5.0 million annually thereafter due to the mandated appropriation. Federal fund revenues may increase to the extent DHCD is able to obtain federal grants, as discussed below. **This bill establishes a mandated appropriation beginning in FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
FF Revenue	-	-	-	-	-
GF Expenditure	\$221,100	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Net Effect	(\$221,100)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)

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

Local Effect: Local government revenues may increase beginning in FY 2024 to the extent local jurisdictions are awarded grants under the bill. Local government expenditures increase correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: DHCD must (1) implement and administer the program; (2) apply for grants that can be used to assist homeowners, local governments, and nonprofit organizations in preparing and repairing residential properties to mitigate water damage caused by extreme weather; (3) create a list of contractors specializing in extreme weather mitigation and make that list available to grant applicants; and (4) randomly inspect homes for which a grant is awarded under the program to ensure the work being done meets the bill's requirements. DHCD may reinspect up to 10% of the homes randomly inspected.

Program Eligibility

A homeowner is eligible for a grant under the program if the property for which the homeowner is applying is (1) the homeowner's primary legal residence; (2) owned and occupied by the homeowner; (3) a single-family home, a town house, or a row home; and (4) covered by an up-to-date homeowner's insurance policy meeting specified criteria. In order to be eligible, a homeowner also must provide to DHCD copies of all required permits and inspection reports associated with the mitigation project for which the homeowner is applying for a grant under the program.

A local government or nonprofit organization is eligible for a grant under the program for projects that mitigate water damage caused by extreme weather to single-family, owner-occupied homes, including town houses and row homes.

Matching and Nonmatching Grant Awards

A grant awarded to a homeowner under the program may not exceed \$5,000. Any funds not awarded to local governments and nonprofits must be made available as grants to homeowners.

A matching grant awarded under the program must be matched on a dollar-for-dollar basis and be available to local governments and nonprofit organizations on a first-come, first-served basis. A matching grant awarded to a homeowner under the program must be used for (1) the installation of best management practices on the homeowner's property to mitigate water damage caused by extreme weather or (2) repairs to the homeowner's property in response to water damage caused by extreme weather.

A matching grant awarded to a local government or nonprofit organization under the program may not exceed (1) \$50,000 per fiscal year for a single grant or (2) \$250,000 per fiscal year for all matching grants awarded to local governments and nonprofit organizations in the fiscal year.

DHCD must establish annually and make available to the public and applicants the maximum amount of nonmatching grant awards for the year that is (1) based on adjusted gross income for a household for the most recent taxable year and (2) adjusted for family size relative to the median income for the county in which the project will occur or the State median income, whichever is higher.

In awarding nonmatching grants, DHCD must award grants based on a sliding scale, with homeowners whose total federal adjusted gross income for the household is less than 80% of the median annual adjusted gross income for households in the county in which the project will occur being eligible for the full \$5,000 award. DHCD must also take into consideration the cost of the project and the federal adjusted gross income for a homeowner's total household income for the most recent taxable year. A nonmatching grant awarded to a homeowner under the program must be used to retrofit the homeowner's property to make the property less vulnerable to water damage caused by extreme weather.

Regulations

DHCD must adopt regulations to carry out the program, including regulations defining additional mitigation measures necessary to qualify for a grant.

Current Law: There is no specific program dealing with extreme weather mitigation and preparation within DHCD.

Among other responsibilities, DHCD provides financing for the economic development and maintenance of affordable housing and communities in Maryland. DHCD also provides funding for community revitalization projects. As introduced, the Governor's proposed fiscal 2023 capital budget includes a mixture of general obligation bonds, general funds, special funds, and federal funds for the following DHCD programs that provide assistance to homebuyers and those facilitating community revitalization in Maryland:

- Strategic Demolition Fund (\$30.0 million);
- Neighborhood Business Development Program (\$25.0 million);
- Baltimore Regional Neighborhood Initiative (\$12.0 million);
- National Capital Strategic Economic Development Program (\$7.0 million);
- Community Development Block Grant Program (\$12.0 million);
- Seed Community Development Anchor Institution Fund (10.0 million);
- Special Loan Programs (\$10.4 million);
- Community Legacy Program (\$8.0 million);
- Homeownership Programs (\$42.0 million); and
- Housing and Building Energy Program (\$15.8 million).

State Revenues: The bill requires DHCD to apply for grants. Although the bill does not specify the source of the grants for which DHCD must apply, for purposes of this analysis, it is assumed that DHCD applies for federal grants. Accordingly, federal fund revenues increase to the extent that DHCD obtains federal grants to help fund the program established by the bill. A reliable estimate of any increase in federal fund revenues is not feasible because it depends on available federal grant funding and DHCD's success in securing any available funds.

State Expenditures: General fund expenditures increase by \$221,069 in fiscal 2023, which accounts for the bill's October 1, 2022 effective date. Although the mandated appropriation does not begin until fiscal 2024, staffing is necessary during fiscal 2023 to develop policies, procedures, and regulations for the program and to initiate the grantmaking process prior to grant funding being available. The bill also requires DHCD to pursue grants to help fund the program. Therefore, this estimate reflects the cost of hiring one financial analyst to oversee the grant program and to coordinate the reinspection of grant awarded building sites. It includes a salary, fringe benefits, one-time start-up costs (including a web portal for grant applications and a case management system), and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$63,726
One-time Information Technology Costs	150,000
Operating Expenses	<u>7,343</u>
Total FY 2023 State Expenditures	\$221,069

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

The bill does not restrict the use of the mandated appropriation only for grantmaking, so this analysis assumes that any administrative costs beginning in fiscal 2024 are covered by the \$5.0 million mandated appropriation. To the extent that funds are used for administration, they are not available for grants. Beginning in fiscal 2024, therefore, general fund expenditures increase by \$5.0 million annually for DHCD to manage the program and award extreme weatherization grants.

DHCD advises that none of its other grant programs involve home inspections, so it cannot reliably estimate the costs associated with the bill's requirement that it inspect up to 10% of grantees. However, any costs and additional staffing associated with home inspections are covered by the mandated appropriation, so there is no net expenditure effect for the inspection program. Any increase in administrative costs reduces the amount of funding available for grant awards, however.

Local Fiscal Effect: Local government revenues and expenditures increase correspondingly to the extent local jurisdictions apply for and receive grants from DHCD. However, the maximum matching grant amount all local jurisdictions and nonprofit organizations may potentially receive each fiscal year is limited to \$250,000.

Small Business Effect: Small businesses, particularly contractors involved with construction and home inspections, may be able to expand as a result of the funding provided by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Harford and Montgomery counties; Maryland Municipal League; Department of Budget and Management; Department of Housing and Community Development; Department of Legislative Services

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Analysis by: Thomas S. Elder

Direct Inquiries to:
(410) 946-5510
(301) 970-5510