

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 619 (Delegate Schmidt, *et al.*)
 Rules and Executive Nominations

General Assembly - Legislation - Housing Impact Analysis

This bill requires a housing impact analysis rating and a housing impact analysis, as appropriate, to be prepared by the Department of Legislative Services (DLS) for each bill introduced by a member of the General Assembly. For each bill introduced at the request of the Administration or a department, agency, or commission of the Executive Branch, the appropriate Executive Branch agency must prepare such a rating and analysis, as appropriate. The bill establishes provisions governing the preparation, content, and distribution of housing impact analysis ratings and housing impact analyses.

Fiscal Summary

State Effect: General fund expenditures for DLS increase by \$433,600 in FY 2024. Future years reflect annualization and ongoing costs. Executive Branch agencies can likely implement the bill using existing budgeted resources, as discussed below. No effect on State revenues.

| (in dollars) | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 433,600 | 431,400 | 450,600 | 470,500 | 495,200 |
| Net Effect | (\$433,600) | (\$431,400) | (\$450,600) | (\$470,500) | (\$495,200) |

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

Local Effect: Local governments can consult with and provide information to DLS and Executive Branch agencies using existing budgeted resources. No effect on local revenues.

Small Business Effect: Minimal.

Analysis

Bill Summary: For a bill introduced on behalf of the Administration or an Executive Branch agency or commission, a copy of the housing impact analysis rating and the housing impact analysis must be submitted by the Governor's Office (1) to DLS within a reasonable timeframe prior to the hearing on the bill to allow DLS to comment on the rating and analysis and (2) to the committee to which the bill is referred prior to the bill hearing. For a bill introduced by a member of the General Assembly, a copy of the housing impact analysis rating and the housing impact analysis must be submitted by DLS to the primary sponsor of the bill and to the committee to which the bill is referred prior to the bill hearing.

If the appropriate Executive Branch agency or DLS determines that a bill will have minimal or no impact on the cost or availability of housing, the agency or DLS must indicate that determination by a brief written statement. If it is determined that a bill will have a meaningful impact on the cost or availability of housing, the agency or DLS must develop a complete written housing impact analysis. If it is determined that a bill will have a meaningful impact on the cost or availability of housing but the agency or DLS is unable to provide a complete written analysis, the agency or DLS must provide a written explanation of why the bill will have a meaningful impact; the explanation may identify the impact in general terms and need not quantify the specific housing impact.

The housing impact analysis rating and the housing impact analysis must include estimates directly relating to the following factors, as appropriate: (1) the expense of developing, constructing, or improving rental or owner-occupied housing; and (2) the cost of housing with a particular focus on the impact to low-income and workforce housing, as defined.

The Executive Branch agency or DLS preparing the rating and analysis must consult with, as appropriate, other units of State government, units of local government, and business, trade, consumer, labor, and other groups impacted by or having an interest in the legislation. On request of the Executive Director of DLS, a unit of the State or a local government must provide DLS with assistance or information in the preparation of a housing impact analysis rating and a housing impact analysis.

DLS may (1) include a housing impact analysis rating and a housing impact analysis prepared by DLS or by the appropriate Executive Branch agency as part of a fiscal note; (2) comment on the rating and analysis prepared by the appropriate Executive Branch agency; and (3) revise the rating and analysis consistent with an amended version of a bill.

DLS must keep a copy of each rating and analysis for three years after preparing the rating or analysis. The copies must be reasonably available for public inspection. Ratings and analyses need not be published in the Senate journal or House journal. The validity of an

enactment of a bill is not affected by the presence, absence, or content of a housing impact analysis rating or a housing impact analysis.

Current Law: There is no requirement in State law for the preparation of housing impact analysis ratings or housing impact analyses. However, the bill mirrors existing statutory requirements for the creation and submission of economic impact analysis ratings and economic impact analyses for each bill introduced during the legislative session.

Specifically, DLS must prepare an economic impact analysis rating and an economic impact analysis, as appropriate, for each bill introduced by a member of the General Assembly. A copy of the rating and analysis must be submitted by DLS to the primary sponsor of the bill and to the committee to which the bill is referred prior to the bill hearing. For each bill that is introduced at the request of the Administration or a department, agency, or commission of the Executive Branch, the appropriate Executive Branch agency must prepare such a rating and analysis, as appropriate. A copy of the rating and analysis must be submitted by the Governor's Office to (1) DLS within a reasonable timeframe prior to the hearing on the bill to allow DLS to comment on the rating and analysis and (2) the committee to which the bill is referred prior to the bill hearing.

If the appropriate Executive Branch agency or DLS determines that a bill will have minimal or no economic impact on small businesses, the agency or DLS may indicate that determination by a brief written statement. If it is determined that a bill have a meaningful economic impact on small businesses, the agency or DLS must develop a complete written economic impact analysis. If the Executive Branch agency or DLS determines that a bill will have a meaningful economic impact on small businesses and the agency or DLS is unable to provide a complete written economic impact analysis, the agency or DLS must provide a written explanation of why the agency determined that the bill will have a meaningful economic impact; the explanation may identify the impact in general terms and need not quantify the specific economic impact.

In preparing the economic impact ratings and analyses, an Executive Branch agency or DLS must consult with, as appropriate, other units of State government, units of local government, and business, trade, consumer, labor, and other groups impacted by or having an interest in the legislation. On request of the Executive Director of DLS, a unit of the State or a local government must provide DLS with assistance or information in the preparation of an economic impact analysis rating and economic impact analysis.

DLS may (1) include an economic impact analysis rating and economic impact analysis prepared by DLS or the appropriate Executive Branch agency as part of a fiscal note; (2) comment on the rating and analysis prepared by the appropriate Executive Branch agency; and (3) revise the rating and analysis consistent with an amended version of a bill.

DLS must keep a copy of each rating and analysis for three years after a rating or analysis is prepared. Copies must be reasonably available for public inspection.

State Expenditures:

Department of Legislative Services

Over the past five legislative sessions, an average of 2,634 bills have been introduced per session, most of which were introduced by members of the General Assembly (and not at the request of the Administration or an Executive Branch agency). Due to the significant workload resulting from the bill’s requirement to produce a housing impact analysis rating and a housing impact analysis, as appropriate, for each bill introduced by a member of the General Assembly, DLS requires additional staff. Therefore, general fund expenditures increase by \$433,592 in fiscal 2024, which accounts for the bill’s October 1, 2023 effective date. This estimate reflects the cost of hiring four policy analysts to develop housing impact analysis ratings and housing impact analyses, as appropriate, for each bill introduced by a member of the General Assembly. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes contractual costs for a consultant to assist with the development of a housing profile for the State.

| | |
|---------------------------------------|------------------|
| Positions | 4.0 |
| Salaries and Fringe Benefits | \$328,956 |
| Contractual Services | 75,000 |
| Operating Expenses | <u>29,636</u> |
| Total FY 2024 DLS Expenditures | \$433,592 |

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

Executive Branch Agencies

Although the bill requires that the appropriate Executive Branch agency develop a housing impact analysis rating and a housing impact analysis, as appropriate, for each bill introduced at the request of the Administration or a department, agency, or commission of the Executive Branch, the number of bills introduced at the request of such entities is a small percentage of the total number of bills introduced each session. *For context*, during the 2022 legislative session, out of the 2,498 bills that were introduced, only about 100 bills were introduced at the request of the Administration or a State agency.

Based on a limited survey of State agencies regarding the potential fiscal effect of the bill, some agencies indicate that they can implement the bill with existing resources, while others indicate the potential need for additional staff, resulting in a potentially significant

increase in State expenditures. Due to the limited number of bills for which Executive Branch agencies must develop a housing impact analysis rating and housing impact analysis, as appropriate, and the fact that the bill specifies that written explanations can be provided in lieu of complete written analyses when an agency determines that the bill has a meaningful impact on the cost or availability of housing, DLS anticipates that Executive Branch agencies can likely implement the bill with existing resources. With actual experience under the bill, to the extent existing staff prove insufficient, State agencies may request additional resources through the annual budget process.

DLS notes that the Department of Housing and Community Development (DHCD) indicates that it can comply with the bill using existing resources. DLS advises, however, that DHCD is likely to receive significantly more requests for information from DLS – to aid DLS in preparing the required housing impact analysis ratings and analyses – than it does under current law.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Technology Development Corporation; Department of Commerce; Alcohol and Tobacco Commission; Public School Construction Program; Maryland Department of the Environment; Department of General Services; Department of Housing and Community Development; Maryland Department of Labor; Maryland Department of Planning; Department of Public Safety and Correctional Services; Board of Public Works; Maryland Department of Transportation; State Department of Assessments and Taxation; Maryland Energy Administration; Maryland State Lottery and Gaming Control Agency; Public Service Commission; Harford and Montgomery counties; Maryland Association of Counties; City of Havre de Grace; Maryland Municipal League; Department of Legislative Services

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