

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 370 (Senator Hettleman)

Budget and Taxation and Education, Energy,  
and the Environment

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**Community Schools - Rental Assistance for Community School Families**  
**Program and Fund - Establishment**

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This bill establishes the Rental Assistance for Community School Families Program and related fund to provide rental assistance to eligible student households at community schools. The Maryland State Department of Education (MSDE) must administer the program, and the Governor must include an appropriation of \$10.0 million in the fiscal 2026 budget bill for the program. **The bill takes effect July 1, 2024.**

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**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$358,700 in FY 2025 for staffing. General fund expenditures increase by \$10.0 million in FY 2026 due to the mandated appropriation and annually thereafter on a discretionary basis; special fund revenues and expenditures increase commensurately. **This bill establishes a mandated appropriation for FY 2026.**

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
GF Expenditure	\$358,700	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
SF Expenditure	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Net Effect	(\$358,700)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)

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

**Local Effect:** Local school systems can identify eligible families using existing resources.

**Small Business Effect:** Potential minimal.

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## Analysis

### **Bill Summary:**

#### *Eligibility for Assistance*

For a family to be eligible for assistance under the program, a student in the family must be:

- enrolled in a community school that receives funding under the Concentration of Poverty School Grant Program (CPG);
- counted under compensatory education enrollment;
- housed in a rental property where at least one household member is at risk of homelessness or housing instability, as evidenced by past-due rent or utility notices, unsafe living conditions, or other evidence; and
- from a household where at least one member is experiencing financial hardship, as evidenced by receipt of unemployment benefits or other evidence.

In determining which eligible student households to support, MSDE must give preference to households from community schools with the lowest proportion of eligible households.

#### *Assistance Provided*

The program must provide rental and utility payments on behalf of eligible households directly to a landlord or utility company to assist with (1) rental payments or arrears, or fines or fees associated with those payments and (2) utility payments or arrears, or fines or fees associated with those payments.

An eligible household may receive support for up to 12 months, but subject to the availability of funding, support may be extended for up to an additional 3 months, as specified.

#### *Program Administration and Funding*

The Director of Community Schools in MSDE must administer the program, and community school coordinators in each school must identify eligible households at the school.

The Rental Assistance for Community Schools Families Fund is a special, nonlapsing fund that may be used only to provide rental assistance under the program and to cover MSDE's costs of administering the program. It consists of money appropriated in the State budget,

interest earnings, and any other money from any other source accepted for the benefit of the fund.

The fiscal 2026 mandated appropriation of \$10.0 million must be deposited in the fund.

**Current Law:** CPGs have two components. First, each qualifying school receives a personnel grant to employ a community school coordinator with specified qualifications and provide full-time coverage by at least one health care practitioner. A county that provides health coverage or community school services with funds other than the personnel grant must continue to provide those services through fiscal 2030. Second, per pupil grants are provided for each qualifying school following the completion of a specified needs assessment. The personnel grant is a State-funded categorical amount that increases with inflation. Per pupil grants are only wealth equalized for districts that receive the minimum State funding (40%) under the compensatory education formula; for all other districts, the State pays the full amount. The local funding percentage is based on the compensatory education wealth equalization formula. **Exhibit 1** lays out the phase-in of the two components of the funding.

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**Exhibit 1**  
**Current Law Concentration of Poverty Phase-in**

<b><u>School Poverty Percentage</u></b>	<b><u>Year Personnel Phased-in</u></b>	<b><u>Year Per Pupil Phased-in</u></b>
> = 80%	FY 2020	FY 2022
75%-80%	FY 2021	FY 2023
70%-75%	FY 2022	FY 2024
65%-70%	FY 2023	FY 2025
60%-65%	FY 2024	FY 2026
55%-60%	FY 2025	FY 2027

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*Maryland Energy Assistance Program*

The Maryland Energy Assistance Program, administered by the Office of Home Energy Programs within the Department of Human Services, helps the State's vulnerable populations pay their heating bills, minimize crises, and make heating costs more affordable. Benefits include utility and fossil fuel payments, the Utility Service Protection Program, referrals to weatherization services, emergency heating system repairs and replacement, waivers on utility fees, discounts on fuel purchases, and gas arrearage assistance.

### *Homelessness Solutions Program*

The Department of Housing and Community Development's (DHCD) Division of Neighborhood Revitalization administers the [Homelessness Solutions Program](#) (HSP), which serves as a statewide response to address the issue of homelessness in Maryland, providing technical support and funding to Continuums of Care and Local Homeless Coalitions, which coordinate funding and resources for service providers across the State. The goals of HSP are to reduce the number of individuals/households who become homeless or return to homelessness and to shorten the length of time an individual or household is homeless. HSP funds can be used for rapid rehousing, homelessness prevention, and other related services.

### *Emergency Rental Assistance Program*

In response to the economic hardships caused by the COVID-19 pandemic, DHCD and local governments received a combined total of more than \$700 million from the federal Emergency Rental Assistance Program (ERAP) to provide relief for families struggling with unpaid rent and/or utility bills. However, most of those funds have been exhausted and will likely no longer be available when the bill takes effect.

**State Expenditures:** Based on the most recent data available, the number of schools receiving CPG personnel grants is projected to be 610 in fiscal 2025, with the potential to grow to as many as 692 in the next few years. Combined, schools projected to receive CPG personnel grants in fiscal 2025 have a total enrollment of about 325,000 students, almost 250,000 of whom are eligible for free or reduced-price meals (FARMS). Based on a conservative estimate that 5% of FARMS families in community schools qualify for rental assistance under the bill, at least 12,500 families may be eligible for assistance. If all these families were to receive assistance, the average amount would be \$800 per family over the entire 12 months of eligibility based on the \$10.0 million in mandated funding; however, the funding available for assistance is assumed to be less due to the staffing requirements. To further put the funding in context, DHCD estimates, based on current average ERAP assistance levels, that the full \$10.0 million could serve up to 3,000 to 3,500 families per year, which equates to approximately \$2,900 to \$3,300 per family each year.

The bill mandates an appropriation of \$10.0 million in fiscal 2026; as the program does not terminate and there is a demonstrated ongoing need for rental assistance, this analysis assumes that (1) annual funding of \$10.0 million is needed beyond fiscal 2026 and (2) general funds are deposited into the special fund each year. This analysis further assumes that MSDE requires staffing in fiscal 2025 to prepare to make rental assistance payments beginning in fall 2025, when school begins.

The bill requires that assistance payments be paid directly to landlords and utility companies, which requires that MSDE establish payment arrangements with potentially hundreds of entities. The Director of Community Schools within MSDE lacks staffing capacity to ensure that eligible families meet the bill's criteria and to manage payments to landlords and utility companies. The bill also requires that community school coordinators at each school identify eligible families. As coordinators are charged with multiple other duties in current law, they likely lack the capacity to verify the eligibility of a potentially large number of applicants for rental assistance and, therefore, require assistance from MSDE.

The bill specifies that money in the fund may be used to cover MSDE's administrative costs. As such, beginning in fiscal 2026, the administrative costs described below are deducted from the \$10.0 million annual appropriation, with the remainder available for rental assistance. However, there are additional staffing costs in fiscal 2025.

Accordingly, general fund expenditures increase by \$358,651 in fiscal 2025, which accounts for six MSDE staff starting January 1, 2025, and by \$10.0 million annually thereafter. This estimate reflects the cost of hiring five education program specialists and one management associate to develop application and eligibility verification procedures and train community school coordinators. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. General fund expenditures increase by \$10.0 million beginning in fiscal 2026, due to the mandated appropriation, and include the cost of hiring an additional five fiscal compliance staff to verify, process, and monitor outgoing payments to landlords and utility companies. The program specialists will also provide ongoing support to coordinators in identifying and verifying eligible households.

	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>
New Positions	6.0	5.0
Salaries and Fringe Benefits	\$316,735	\$1,024,511
Rental Assistance Payments	-	8,931,260
Other Operating Expenses	<u>41,916</u>	<u>44,229</u>
<b>Total State Expenditures</b>	<b>\$358,651</b>	<b>\$10,000,000</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Accordingly, residual funding of approximately \$8.8 million to \$8.9 million is assumed to be available for rental assistance payments each year.

Beginning in fiscal 2026, special fund revenues and expenditures increase by \$10.0 million due to the one-time mandated general fund appropriation to initially capitalize the special fund and then assumed ongoing discretionary funding to maintain the program at the same level.

## **Additional Information**

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

**Designated Cross File:** HB 428 (Delegate Stewart) - Appropriations and Ways and Means.

**Information Source(s):** Maryland State Department of Education; Department of Budget and Management; Department of Housing and Community Development; Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2024  
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