

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 234 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Housing and Community Development)
 Education, Energy, and the Environment

**Housing and Community Development - Homeless Shelter Certification Program
 - Establishment**

This departmental bill requires the Department of Housing and Community Development (DHCD) to operate a homeless shelter certification program and adopt related regulations. Among other requirements, DHCD must develop a tiered certification system, operational standards, and minimum requirements for homeless shelters. The bill also establishes requirements for operators of homeless shelters as well as enforcement provisions. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund expenditures increase by \$245,900 in FY 2026; future years reflect annualization, inflation, and ongoing costs. General fund revenues may increase minimally from administrative penalties; revenues are not otherwise affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	245,900	292,500	304,900	317,900	330,900
Net Effect	(\$245,900)	(\$292,500)	(\$304,900)	(\$317,900)	(\$330,900)

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

Local Effect: Local government expenditures may increase to the extent any homeless shelters operated by local governments must be upgraded to comply with the standards established by DHCD. Local revenues are not affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary:

Selected Definitions

“Centralized or coordinated assessment system” means a centralized or coordinated process, operated by a Continuum of Care (CoC), designed to coordinate program participant intake assessment and provision of referrals. “Homeless Management Information System” (HMIS) means the information system designated by a CoC to comply with the relevant requirements prescribed by the U.S. Department of Housing and Urban Development (HUD).

“Homeless shelter” means a facility that is operated for the primary purpose of providing temporary overnight sleeping accommodations, meals, basic needs assistance, and supportive services for case management and housing navigation to homeless individuals. “Homeless shelter” includes facilities that use hotels or motels for sleeping accommodations. However, “homeless shelter” does not include (1) a shelter created or authorized by a State or local government entity to respond to a disaster or other large-scale emergency shelter needs or (2) a facility or program where the participant signs a lease or legal agreement for a rental unit or pays rent for the use of the facility.

“Shelter resident” means an individual who has completed intake procedures and is or will be residing at a homeless shelter.

Homeless Shelter Certification Program

A building may not be used as a homeless shelter unless the owner and any operator have been certified in accordance with the bill. An owner and any operator of a homeless shelter must apply to DHCD for a certification to use a building as a homeless shelter on a form that DHCD provides. On request of DHCD, a certification holder must allow DHCD immediate access to inspect the premises and interior of a building used as a homeless shelter, both for routine monitoring and unscheduled inspections. Certification must be renewed every two years, in accordance with regulations adopted by DHCD.

An application for a homeless shelter certification must include (1) a demonstration of adherence by the owner and any operator of the homeless shelter to the operational standards and building standards adopted by DHCD through regulation (discussed below) and (2) any other documentation or information required by DHCD in regulation.

Tiered System, Operational Standards, Minimum Requirements, and Other Requirements

The tiered system for homeless shelter certifications developed by DHCD must be based on (1) the number of individuals being served by the shelter; (2) the type and duration of shelter provided; and (3) the type and intensity of services provided.

DHCD must adopt regulations to establish operational standards and minimum requirements for each homeless shelter certification class that may include, among other things, specified organizational and fiscal documents, specified information related to staff and volunteers (in addition to their training), shelter resident information collection and tracking, grievance policies and procedures, protection of the rights of shelter residents (including privacy and confidentiality), protections and safety protocols for victims of specified offenses, and access to supportive services.

DHCD must develop a shelter resident bill of rights with minimum standards for the protection of the rights of shelter residents. In addition, DHCD must develop and implement a grievance process for homeless individuals and shelter residents to notify DHCD of alleged violations of the bill or regulations adopted under the bill.

DHCD may (1) develop trainings and technical assistance for homeless shelters on operational standards and (2) require organizations that own and operate homeless shelters to complete trainings.

Homeless Shelter Requirements

An operator of a homeless shelter must participate in the HMIS operated by the local CoC. An operator of a homeless shelter must enter shelter resident intake and exit assessments into the HMIS for each resident who consents to share this information. An operator of a homeless shelter must also participate in the centralized or coordinated assessment system operated and administered by the local CoC.

An operator of a homeless shelter may not deny admission or services to any homeless individual because of specified characteristics that include, among other things, race, religion, sex, marital or familial status, sexual orientation, gender identity, criminal history (except an individual convicted of a sexual offense), current or past use of alcohol or illegal drugs (except an individual assessed by shelter staff as a threat to the health, safety, or property of others), or lack of valid identification.

Homeless shelters must comply with the regulations adopted by DHCD within 12 months of their adoption. The Secretary of Housing and Community Development, or the Secretary's designee, may allow extensions of the deadline for a homeless shelter to comply with the requirements of the bill or regulations adopted under the bill on a

case-by-case basis (1) for good cause and (2) if DHCD has received evidence that the homeless shelter is engaged in a corrective action plan and making adequate progress in addressing noncompliance.

Denial, Suspension, or Revocation of a Homeless Shelter Certification

For cause, DHCD may deny, suspend, or revoke a homeless shelter certification. Grounds for denial, suspension, or revocation include (1) violation of the bill; (2) violation of a regulation adopted under the bill; (3) misrepresentation to DHCD; and (4) submission of a false statement on a certification application. DHCD must set forth in writing its reasons for a denial, suspension, or revocation. Existing provisions established under the Administrative Procedure Act (APA) govern the appeal of a denial, revocation, or suspension.

Administrative Penalties

In addition to the provisions described above regarding the denial, suspension, or revocation of a certification, a person that operates a homeless shelter without a certification or in violation of regulations adopted under the bill is subject to an administrative penalty of up to \$10,000 for each violation.

In setting the amount of an administrative penalty, DHCD must consider factors including the nature, number, and seriousness of the violations. If an administrative penalty is imposed, DHCD must issue an order that states (1) the basis on which the order is made; (2) the amount of the administrative penalty imposed; and (3) the manner in which the amount of the administrative penalty was calculated. A person subject to an order imposing an administrative penalty must have the right to appeal the order in accordance with APA.

Current Law/Background:

Study on the Establishment of a Homeless Shelter Licensing Program

Chapters 151 and 152 of 2024 required DHCD to (1) review current habitability and admission standards of homeless shelters in the State; (2) recommend a basic habitability and admission standard for homeless shelters in the State; and (3) recommend a plan to establish a program within DHCD to license homeless shelters in the State. The Acts also required DHCD to hire one new full-time permanent employee to conduct the study, in consultation with political subdivisions. DHCD advises that the employee it hired pursuant to Chapters 151 and 152 is the current Deputy Director of the Division of Homeless Services. The study was published in January 2025, and can be read [here](#). The bill generally mirrors the study's findings regarding the creation of a homeless shelter certification program and specified minimum standards homeless shelters must meet.

Oversight of Homeless Shelters and Continuums of Care – Generally

There is no State entity charged with the licensure or regulation of homeless shelters. Recipients of federal CoC grants provide services for homeless individuals within a specified geographic area, including shelter operations, street outreach, rapid rehousing, and homelessness prevention. There are 10 CoCs in the State, with DHCD administering 3 that offer consolidated services to the Eastern Shore and Western Maryland.

Generally, each CoC geographic area has a lead agency that is responsible for applying to HUD for federal funding and then distributing the funding to eligible recipients, which includes homeless shelters. By accepting HUD funding, CoCs and subsequent grant recipients must follow specified federal requirements generally related to the quality of shelter provided.

Homeless Management Information System – Generally

HMIS is a software application for recording and storing specified client-level information on the characteristics and services needed for homeless individuals throughout a CoC's jurisdiction, and federal law requires the use of HMIS by CoCs. HUD and other federal entities use aggregate HMIS data to direct homeless policy and assist decision making at the federal, state, and local levels. Information entered into HMIS includes, among other things, specified information relating to the CoC, general information related to the homeless, their veteran status, and information related to rehousing.

Homelessness Solutions Program

The Division of Homeless Solutions within DHCD administers the [Homelessness Solutions Program](#) (HSP), which serves as a statewide response to homelessness in Maryland, providing technical support and funding to CoCs and local homeless coalitions, which coordinate funding and resources for service providers across the State. The goals of HSP are to (1) reduce the number of individuals/households who become homeless by providing front-door shelter diversion services and homeless prevention assistance; (2) shorten the length of time an individual or household experiences homelessness by quickly connecting them to safe permanent housing; and (3) reduce the number of people that return to homelessness by ensuring households are connected to income supports, natural support networks, and community-based resources. HSP funds can be used for street outreach, emergency shelter, rapid rehousing, homeless prevention, permanent supportive housing case management, HMIS, and administrative costs. Homeless shelters that accept HSP funds must comply with specified minimum habitability standards.

Shelter and Transitional Housing Facilities Grant Program

DHCD also operates the Shelter and Transitional Housing Facilities Grant Program, which provides capital financing for local governments and nonprofit organizations to develop shelter, transitional, or other housing facilities for homeless individuals and families. Grantees use the funds to acquire, design, construct, renovate, and equip projects for which loan financing is not feasible. Funding is generally limited to 50% of a project's cost.

Eligible projects include apartments, condominiums, townhouses, single-family detached homes, single-room occupancy facilities, and group or shared housing that provide housing for homeless households and support services. A project may include uses other than housing for the homeless, such as traditional rental housing or nonresidential uses; however, program funds are only provided to the extent allowed for those units identified as transitional housing units and the necessary space and facilities required to operate the program-assisted units. Projects involving new construction or substantial rehabilitation are subject to a thorough review by DHCD. All financing offered under the program is in the form of grants. The Governor must include \$3.0 million in the annual budget for the grant program, and the fiscal 2026 capital budget as introduced includes \$3.0 million in general obligation bonds for the grant program.

State Expenditures: Although DHCD administers some CoCs and HSP, which offers some oversight of homeless shelters that apply for funds, the bill requires DHCD to establish, operate, and enforce a new statewide homeless shelter certification program. DHCD advises that there are more than 200 individual homeless shelters in the State that must be certified under the bill. Although DHCD advises that its Deputy Director of Homeless Services will oversee the homeless shelter certification program under the bill, it requires additional staff to handle the workload generated by the bill.

Therefore, general fund expenditures increase by \$245,885 in fiscal 2026, which accounts for a 90-day start-up delay from the bill's July 1, 2025 effective date. This estimate reflects the cost of hiring three program managers to develop the required standards, process certification applications and issue certifications, provide training and technical assistance to service providers, conduct inspections, and perform other administrative tasks. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, including travel (for inspections) and contractual translation services.

Positions	3.0
Salaries and Fringe Benefits	\$211,029
Operating Expenses	<u>34,856</u>
Total FY 2026 State Expenditures	\$245,885

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

The Office of Administrative Hearings anticipates that it can handle any increase in caseload related to appeals with existing budgeted resources.

Local Expenditures: Local government expenditures may increase to the extent homeless shelters operated by local governments must be upgraded to meet the standards established by DHCD under the bill. Although a reliable estimate of any such increase in costs is not feasible until the standards are developed, costs may be significant.

Additional Comments: It is unclear if the bill applies to houses of worship and nonprofit organizations that provide short-term seasonal shelter in their facilities. If these entities are required to meet certification requirements, they may opt not to provide homeless shelter services, which could reduce the supply of shelter space.

Additional Information

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

Designated Cross File: HB 93 (Chair, Environment and Transportation Committee)(By Request - Departmental - Housing and Community Development) - Environment and Transportation.

Information Source(s): Calvert, Howard, and Prince George's counties; Maryland Association of Counties; City of Annapolis; Maryland Municipal League; Department of Housing and Community Development; Department of Human Services; Office of Administrative Hearings; U.S. Department of Housing and Urban Development; Department of Legislative Services

Fiscal Note History: First Reader - January 17, 2025
km/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing and Community Development - Homeless Shelter Certification Program - Establishment

BILL NUMBER: SB 234

PREPARED BY: Chuck Cook

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

As homeless shelters are run by nonprofits, there will be no impact on small businesses.