

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 797

(Senators Pugh and Muse)

Education, Health, and Environmental Affairs

Appropriations

**Housing and Community Development - Shelter and Transitional Housing
 Facilities Grant Program - Mandated Funding**

This bill requires the Governor, for fiscal 2018 and each fiscal year thereafter, to include in the annual budget bill at least \$3.0 million for the Shelter and Transitional Housing Facilities Grant Program within the Department of Housing and Community Development (DHCD).

Fiscal Summary

State Effect: Pay-as-you-go (PAYGO) general fund expenditures increase by \$3.0 million annually beginning in FY 2018 due to the bill’s mandated appropriation. DHCD can continue to administer the program with existing staff. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2018.**

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
PAYGO GF exp	0	3,000,000	3,000,000	3,000,000	3,000,000
Net Effect	\$0	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)

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

Local Effect: Local governments benefit to the extent they receive additional grant funding for specified projects.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: The Shelter and Transitional Housing Facilities Grant Program provides grants to local governments and nonprofit organizations in order to

develop emergency shelters and transitional housing 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 which 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. Sponsors must sign, upon approval of the project, a financing and regulatory agreement acknowledging that all of the housing units financed with the capital assistance will be occupied by homeless households for not less than 15 years.

The fiscal 2017 capital budget includes \$1.5 million in general obligation (GO) bond funding for the program. The Department of Budget and Management advises that, over the past 10 years, the program has received between \$1.5 and \$2.0 million in capital funding annually.

State Expenditures: PAYGO general fund expenditures increase by \$3.0 million annually beginning in fiscal 2018 due to the bill's mandated appropriation. The fiscal 2017 operating budget does not include funding for the program, although the 2016 *Capital Improvement Program* (CIP) includes \$1.5 million annually in GO bond funding through fiscal 2021. For purposes of this analysis, it is assumed that the bill's mandated appropriation supplements the amounts already included in the CIP.

Local Fiscal Effect: Because local governments are eligible to apply for grants under the program, they could obtain additional funding as a result of the bill. However, local entities must apply for funds in the same way as other applicants, and also must be able to provide 50% matching funds for any proposed project in their jurisdictions.

Small Business Effect: Small businesses involved in acquiring, designing, constructing, or renovating facilities used as emergency shelters and transitional housing for homeless individuals and families could obtain additional funding as a result of the bill. However, because DHCD generally limits funding to a maximum of 50% of a project's cost, small businesses receiving additional funding must provide matching funds.

Additional Information

Prior Introductions: None.

Cross File: HB 1476 (Delegate Jalisi, *et al.*) - Appropriations.

Information Source(s): Department of Budget and Management, Department of Housing and Community Development, Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2016
md/lgc Revised - Updated Budget Information - April 9, 2016

Analysis by: Eric Pierce

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