

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1623 (Delegate Sample-Hughes, *et al.*)
 Rules and Executive Nominations

Home Sprinkler and Fire Safety Assistance Fund

This bill establishes the Home Sprinkler and Fire Safety Assistance Fund within the Department of Housing and Community Development (DHCD) to provide grants to specified homebuyers to offset the costs of installing a sprinkler system in the home they purchase.

Fiscal Summary

State Effect: General fund expenditures increase by \$375,000 in FY 2018 and by \$500,000 annually thereafter to capitalize the fund. Special fund revenues to and expenditures from the fund increase correspondingly. General fund administrative expenditures for DHCD increase by \$68,700 in FY 2018 to administer the grant program; future year administrative expenditures reflect annualization and ongoing operating costs.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$375,000	\$500,000	\$500,000	\$500,000	\$500,000
GF Expenditure	\$443,700	\$586,900	\$590,700	\$594,800	\$599,000
SF Expenditure	\$375,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Effect	(\$443,700)	(\$586,900)	(\$590,700)	(\$594,800)	(\$599,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The fund consists of (1) money appropriated in the State budget and (2) any other money from any other source accepted for the benefit of the fund. Interest generated by the fund accrues to the general fund.

Funds must be awarded to applicants in the order they apply and may be used only for providing grants to homebuyers who are in the process of purchasing a home that (1) is a single-family detached home; (2) is less than 2,500 square feet; (3) uses well water and is not in an area where public water is provided or where there is a plan to provide public water; and (4) will be the homebuyer's primary residence and owner occupied. In addition, homebuyers must have an annual income equal to or less than the income limits under the Maryland Mortgage Program (MMP). In calculating income levels, DHCD must use (1) the targeted limits for a county, if available; (2) the nontargeted limits if the targeted limits are unavailable; and (3) the appropriate target limit for the household size.

Current Law/Background:

Maryland Mortgage Program

MMP, administered by the Community Development Administration, provides below market fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. MMP has annual income requirements limiting who can apply for a loan through the program. Income requirements vary by location and whether the home is in a "Targeted Area."

"Targeted Areas" are established by the U.S. Census Bureau, and are geographic zones inside of which there are fewer restrictions for homebuyers using MMP. Maryland's counties fall into three categories when it comes to Targeted Areas: some counties are fully Targeted Areas; some counties have no Targeted Areas in them at all; and other counties have some areas that are Targeted Areas, and others that are not. **Appendix 1 – Maryland Mortgage Program Income Limits** shows income limits by county and by Targeted Areas.

Maryland Building Performance Standards

DHCD is required to adopt, as the Maryland Building Performance Standards (MBPS), the most recent version of the International Building Code (IBC), including the International Energy Conservation Code (IECC), along with applicable modifications authorized in Title 12 of the Public Safety Article. DHCD currently incorporates by reference the

2015 IBC, including the 2015 IECC, with modifications, as MBPS. In general, the standards apply to all buildings and structures within the State for which a building permit application is received by a local government.

Chapters 265 and 266 of 2012 prohibited local amendments to MBPS that weaken the automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings contained in MBPS.

State Fiscal Effect: Although the bill does not require a specific amount of funding to be appropriated, this analysis assumes a minimum level of \$500,000 annually is required to operate the grant program established by the bill. Thus, general fund expenditures increase by \$375,000 in fiscal 2018 (reflecting the bill's October 1, 2017 effective date) and \$500,000 annually thereafter in order to capitalize the new fund. Special fund revenues to and expenditures from the fund increase correspondingly.

The bill does not authorize the special fund to be used for administrative expenses. Thus, general fund administrative expenditures for DHCD increase by \$68,733 in fiscal 2018, which reflects the bill's October 1, 2017 effective date. This estimate reflects the cost of hiring one program manager to administer the program. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$63,624
Equipment/Operating Expenses	<u>5,109</u>
Total FY 2018 Admin. Expenditures	\$68,733

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

This analysis assumes that local code inspectors, not DHCD, are responsible for inspecting and approving the installation of sprinkler systems in new homes that receive grants under the bill. DHCD can request inspection reports from local governments or from grantees to confirm that grantees actually install sprinkler systems in their new homes.

In part due to the assumption that it needs to inspect and verify the installation of fire sprinkler systems, DHCD advises that it needs seven additional staff as well as additional vehicles to implement the bill. The Department of Legislative Services (DLS) disagrees with this estimate and notes that the bill does not require DHCD to conduct inspections. Instead, as noted above, DLS assumes that local jurisdictions conduct any required inspections. Thus, under the bill, the only additional responsibilities for DHCD are related to receiving and processing grant applications. DLS assumes that DHCD can perform the responsibilities with one additional program manager and that any related administrative

tasks can be performed with existing resources. If, however, the fund receives more funding than anticipated in this analysis, DHCD may require additional personnel in subsequent years.

Additional Information

Prior Introductions: None.

Cross File: None designated. However, SB 1103 (Senator Mathias – Education, Health, and Environmental Affairs) is identical.

Information Source(s): Department of Housing and Community Development;
Department of Legislative Services

Fiscal Note History: First Reader - March 13, 2017
fn/mcr

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Appendix 1 – Maryland Mortgage Program Income Limits

County	Targeted Area	Household Size	Income Limits		Maximum Prices	
			Nontargeted	Targeted	Nontargeted	Targeted
Allegany	Full	1 or 2		\$107,400		\$289,705
		3 or more		125,300		
Anne Arundel	Partial	1 or 2	\$104,040	107,400	\$429,620	525,091
		3 or more	121,380	125,300		
Baltimore City	Full	1 or 2		107,400		525,091
		3 or more		125,300		
Baltimore	Partial	1 or 2	104,040	107,400	429,620	525,091
		3 or more	121,380	125,300		
Calvert	No	1 or 2	130,320		429,620	
		3 or more	152,040			
Caroline	Full	1 or 2		107,400		289,705
		3 or more		125,300		
Carroll	No	1 or 2	104,040		429,620	
		3 or more	121,380			
Cecil	No	1 or 2	89,500		346,601	
		3 or more	102,925			
Charles	No	1 or 2	130,320		429,620	
		3 or more	152,040			
Dorchester	Full	1 or 2		107,400		289,705
		3 or more		125,300		
Frederick	Partial	1 or 2	130,320	130,320	429,620	525,091
		3 or more	152,040	152,040		
Garrett	Full	1 or 2		107,400		312,368
		3 or more		125,300		
Harford	Partial	1 or 2	104,040	107,400	429,620	525,091
		3 or more	121,380	125,300		
Howard	No	1 or 2	104,040		429,620	
		3 or more	121,380			
Kent	Full	1 or 2		107,400		335,301
		3 or more		125,300		
Montgomery	Partial	1 or 2	130,320	130,320	429,620	525,091
		3 or more	152,040	152,040		
Prince George's	Partial	1 or 2	130,320	130,320	429,620	525,091
		3 or more	152,040	152,040		
Queen Anne's	No	1 or 2	104,040		429,620	
		3 or more	121,380			
St. Mary's	No	1 or 2	97,000		327,470	
		3 or more	111,550			
Somerset	Full	1 or 2		107,400		361,611
		3 or more		125,300		
Talbot	No	1 or 2	89,500		334,125	
		3 or more	102,925			
Washington	Partial	1 or 2	89,500	107,400	255,574	312,368
		3 or more	102,925	125,300		
Wicomico	Partial	1 or 2	89,500	107,400	295,863	361,611
		3 or more	102,925	125,300		
Worcester	No	1 or 2	89,500		298,193	
		3 or more	102,925			