

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 636 (Senator Hayes)

Education, Health, and Environmental Affairs

Environment and Transportation

**Housing and Community Development - Neighborhood Revitalization - Passive House Pilot Program**

This bill establishes the Passive House Pilot Program within the Department of Housing and Community Development (DHCD) to assist nonprofit organizations in providing students with career and technical educational experiences through the renovation of residential properties. The bill also establishes the Passive House Pilot Program Fund as a special fund within DHCD to support the program. DHCD must adopt implementing regulations. **The bill terminates September 30, 2025.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$1.0 million annually from FY 2022 through 2025 to capitalize the fund and implement the program. Special fund revenues and expenditures increase correspondingly.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$1.0	\$1.0	\$1.0	\$1.0	\$0
GF Expenditure	\$1.0	\$1.0	\$1.0	\$1.0	\$0
SF Expenditure	\$1.0	\$1.0	\$1.0	\$1.0	\$0
Net Effect	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	\$0.0

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

**Local Effect:** The bill does not directly affect local operations or finances.

**Small Business Effect:** Minimal.

## Analysis

### Bill Summary:

#### *Passive House Pilot Program*

The stated purpose of the pilot program is to assist a nonprofit organization in partnership with neighboring high schools and institutes of higher education to provide students with career and technical educational experiences through the renovation of residential properties to become “passive houses.” The bill defines a “passive house” as a building that is constructed or upgraded using the Passive House Institute Methodology and meets the Passive House Standard Criteria, as specified.

DHCD must solicit proposals from nonprofit organizations for the program that feature (1) the acquisition of one or more properties for renovation that are within close proximity of a high school; (2) renovation of the acquired property or properties by using components certified by the Passive House Institute and bringing the property or properties into compliance with the criteria for passive houses as established by the institute; (3) providing students, through the renovation process, career and technical educational experiences; and (4) ensuring that any renovated property is utilized to provide affordable housing in the neighborhood in which the property is located.

DHCD must give priority to proposals for which a nonprofit organization partners with a high school and institutions of higher education to accomplish the specified proposal elements.

#### *Passive House Pilot Program Fund*

The stated purpose of the fund is to cover the following costs of the program: property acquisition costs; specified property renovation costs; and administrative costs. The fund may only be used for those purposes.

The fund consists of money appropriated in the State budget, interest earnings, and any other money accepted for the benefit of the program. The fund is subject to audit by the Office of Legislative Audits (OLA).

**Current Law:** Among other responsibilities, DHCD provides financing for the development and maintenance of affordable housing in Maryland. Financing is available for the creation of new residential properties and the maintenance of existing residential properties, in addition to making properties more accessible to those requiring financial assistance. DHCD also provides funding for community revitalization projects. DHCD

programs that provide assistance to homebuyers and facilitate community revitalization include:

- Strategic Demolition Fund;
- Neighborhood Business Development Program;
- Baltimore Regional Neighborhoods Initiative;
- National Capital Strategic Economic Development Program;
- Community Development Block Grant Program;
- Seed Community Development Anchor Institution Fund;
- Special Loan Programs;
- Community Legacy Program;
- Homeownership Programs; and
- Housing and Building Energy Programs.

**State Fiscal Effect:** General fund expenditures increase by \$1.0 million annually from fiscal 2022 through 2025 to capitalize the fund and implement the program. Special fund revenues to and expenditures from the fund increase correspondingly. It is anticipated that this level of funding supports the renovation of between two and five houses each year, depending on purchase prices and costs of renovation.

As the bill explicitly states that the fund may be used for administrative costs, this analysis assumes that DHCD’s administrative expenditures during the duration of the pilot program are covered by the funding provided to capitalize the fund. Special fund administrative expenditures for DHCD increase by \$59,959 in fiscal 2022, which accounts for the bill’s October 1, 2021 effective date. This estimate reflects the cost of hiring one contractual community program administrator to adopt necessary regulations, manage the solicitation process for nonprofit organizations seeking funding, and disburse funds. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1.0
Salary and Fringe Benefits	\$54,378
Operating Expenses	<u>5,581</u>
<b>Total FY 2022 Administrative Expenditures</b>	<b>\$59,959</b>

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Future year expenditures reflect a salary with annual increases and employee turnover, ongoing operating expenses, and the termination of the program and associated

administrative costs at the end of fiscal 2025. (Despite the bill's September 30, 2025 termination date, it is assumed that the program terminates at the end of fiscal 2025.)

After accounting for administrative expenses, approximately \$940,000 in fiscal 2022 and approximately \$930,000 annually in fiscal 2023 through 2025 is available to provide assistance to nonprofit organizations under the pilot program.

OLA can audit the fund with existing resources during its routine fiscal compliance audit of DHCD.

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### **Additional Information**

**Prior Introductions:** SB 946 of 2020, a similar bill, passed the Senate with amendments and received a hearing in the House Environment and Transportation Committee, but no further action was taken.

**Designated Cross File:** HB 1073 (Delegate Bridges) - Environment and Transportation.

**Information Source(s):** Maryland State Department of Education; Maryland Higher Education Commission; Baltimore City Community College; University System of Maryland; Morgan State University; Department of Housing and Community Development; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services - Office of Legislative Audits; Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2021  
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