

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 826 (Delegates Wilkins and Stewart)
 Environment and Transportation Education, Energy, and the Environment and
 Budget and Taxation

Statewide Rental Assistance Voucher Program – Establishment

This bill establishes the Statewide Rental Assistance Voucher Program in the Department of Housing and Community Development (DHCD). The purpose of the program is to provide vouchers and housing assistance payments for low-income families that are currently on a waiting list under the federal Housing Choice Voucher Program (HCVP) for housing in units approved by DHCD or a public housing agency (PHA). In general, the program must be administered in accordance with federal guidelines for HCVP. The Governor must include \$10.0 million in the annual budget bill for the program in fiscal 2025 through 2027 and sufficient amounts in future years to fund the same number of vouchers. The bill authorizes DHCD to adopt implementing regulations.

Fiscal Summary

State Effect: General fund expenditures increase by \$255,400 in FY 2024 for DHCD administration. General fund expenditures increase by approximately \$10.3 million in FY 2025 through 2027 and by approximately \$10.6 million in FY 2028, reflecting ongoing administrative costs and mandated funding. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.26	10.29	10.30	10.31	10.62
Net Effect	(\$0.26)	(\$10.29)	(\$10.30)	(\$10.31)	(\$10.62)

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

Local Effect: Local government revenues and expenditures increase to the extent they receive and distribute funding under the State program. Local administrative costs are partially offset by the 6% allocation of program funding for PHA staffing expenses.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Statewide Rental Assistance Voucher Program – Established

DHCD must administer the State program and issue vouchers and housing assistance payments in political subdivisions without PHAs. Political subdivisions with PHA-administrators under HCVP must administer the State program and issue vouchers and housing assistance payments to those eligible for, but who are not currently receiving, vouchers under HCVP.

Eligibility

To be eligible for a housing assistance payment under the State program, a family must (1) reside in the State; (2) be on the waiting list for the federal program; and (3) meet low-income eligibility limits under HCVP or income requirements as determined by the PHA.

DHCD and each PHA must equally prioritize vouchers and housing assistance payments for families that meet specified demographic criteria. When an offer of assistance is made, a family has 30 days to provide documentation to verify their income with DHCD or the PHA.

Payment Standards

DHCD or a PHA must calculate payment standards and housing assistance payments under the State program in accordance with guidelines for HCVP. A family assisted under the State program must be expected to pay not more than 30% of its monthly adjusted gross income for rent and utilities, as determined by DHCD or the PHA.

Housing assistance payments for a family must continue for up to five years or until an HCVP voucher becomes available, whichever occurs first.

Accommodations

A family may request that DHCD or a PHA approve a live-in aide to provide necessary supportive services for a family member who is a person with a disability. DHCD or a PHA must reasonably modify its policies, procedures, and rules to allow a family that includes a person with a disability to have a live-in aide. DHCD or a PHA may not include a live-in aide's income when determining a family's income eligibility under the State program.

Inspection Requirements

DHCD or a PHA must conduct annual inspections of each unit rented using housing assistance payments to ensure the continued compliance with specified federal housing quality standards. Inspections must occur on or before the initial lease date and annually thereafter.

For a unit located in a building with 3 to 49 units, the property owner must provide DHCD or the PHA with a certificate of occupancy that has been completed within one year; for buildings with 50 units or more, the property owner must provide DHCD or the PHA with an inspection certificate.

Subsidy Standards

DHCD must ensure that subsidy standards for unit selection comply with federal guidelines under HCVP, including the mandate to provide for the smallest number of bedrooms needed to house a family without overcrowding.

Denial and Termination of Assistance

The bill authorizes DHCD or a PHA to deny assistance under the State program. DHCD or a PHA *must* deny assistance to sex offenders subject to lifetime registration. DHCD or a PHA *may* deny assistance on a finding that any individual residing in a unit rented using assistance from the State program has been convicted of a drug-related crime under State law or a violent crime. If DHCD or a PHA denies assistance under the State program, DHCD or the PHA must promptly provide the applicant with a notice explaining the denial and indicating that the applicant may request an informal review.

The bill also authorizes DHCD or a PHA to terminate assistance under the State program. DHCD or a PHA *must* terminate assistance under the State program for (1) families who were evicted under the State program for serious violations of the lease; (2) families who fail to sign any forms from DHCD or a PHA indicating consent to obtain information; and (3) sex offenders subject to lifetime registration.

When determining the denial or termination of assistance under the State program, DHCD may consider all relevant circumstances if a family member violates specified obligations or has engaged in specified activities.

DHCD or a PHA may prohibit other family members who participated in or were culpable for actions specified in the bill from residing in a unit rented using assistance from the State program. In making such a determination, DHCD or a PHA may consider specified mitigating factors.

Program Participation

A family member that receives a voucher under the State program must (1) supply any information to DHCD or the PHA necessary for the administration of the State program; (2) notify DHCD or the PHA before vacating the unit; (3) use the unit only as a principal place of residence; and (4) maintain all utilities that are not paid through the housing assistance payment. A family that receives a voucher under the State program may not (1) own the unit that the assistance is provided for; (2) commit fraud in connection with the State program; (3) sublease or assign the lease or transfer the unit; or (4) allow anyone not on the lease to reside in the unit.

DHCD or a PHA must give each family that receives assistance under the State program a written description of the family's obligations under the State program, the grounds on which DHCD or the PHA may deny or terminate assistance under the State program, and the process to request an informal hearing. DHCD or a PHA must recertify a family for continued admission under the State program in accordance with federal guidelines under HCVP.

If the head of household who was receiving assistance under the State program dies, a surviving family member may continue to receive the assistance if the household is solely occupied by remaining family members.

Guidelines on Termination of Assistance and Evictions

Any guidelines on the termination of assistance or on evictions established by DHCD or a PHA must be at least as protective of tenants' rights as guidelines established under HCVP.

Funding

The Governor must include an appropriation of \$10.0 million in the annual budget bill for fiscal 2025, 2026, and 2027 to DHCD for the program. For fiscal 2028 and annually thereafter, the Governor must include in the annual budget bill an appropriation sufficient to fund at least the same number of vouchers issued in the prior fiscal year. DHCD must distribute 6% each year to PHAs to help defray staffing expenses related to the administration of the federal and State program.

Reporting

By December 30, 2024, and annually thereafter, DHCD and each political subdivision with a PHA must report to the Governor and the General Assembly specified information relating to the program.

Current Law:

Federal Housing Choice Voucher Program – Overview

Among other housing assistance programs overseen by the U.S. Department of Housing and Urban Development (HUD), HCVP (also known as Section 8) provides rental assistance through vouchers to subsidize the rent of low-income families, elderly individuals, and individuals with disabilities.

Voucher recipients may choose any type of rental housing that meets specified safety and health quality standards, though federal law does not require that a landlord participate in the program. Jurisdictions with PHAs or local housing offices directly receive funding through HUD; DHCD coordinates the program for jurisdictions without PHAs or local housing offices.

For federal fiscal 2022, HUD allocated \$19.7 million for DHCD to administer HCVP in jurisdictions without PHAs and \$657.7 million for jurisdictions with PHAs. The State fiscal 2022 budget included \$21.8 million for DHCD for the federal program. In addition, the fiscal 2024 budget as introduced includes \$19.5 million for DHCD to administer HCVP.

Eligibility and Cost Sharing

Households with annual incomes of 50% or less of the area median income are eligible for the program. Under federal rules, 75% of annual admissions must be families with annual incomes at or below 30% of the area median income. Once a voucher has been awarded, eligible individuals are responsible for finding a suitable housing unit. A voucher recipient may choose a housing unit that rents for more or less than the payment standard. Voucher recipients must pay 30% of their monthly adjusted gross income for rent and utilities; housing assistance payments are generally the difference between the payment standard and 30% of the family's adjusted gross income.

If the rent is greater than the payment standard, the family must pay the additional amount; however, if a family moves to a new unit where the rent exceeds the payment standard, the family may not pay more than 40% of its monthly adjusted gross income for rent. Generally, the local housing agency pays the housing assistance payment directly to the owner of the property.

Tenant Obligations and Restrictions

Similar to obligations specified under the bill, HCVP tenants, household members, or guests must comply with ongoing requirements in order to continue participating in the

program. Generally, to remain in the program, participants must comply with the lease, maintain the unit in decent condition, pay the tenant share of rent, allow landlords and PHAs access to the unit for inspection, and offer information the PHA determines necessary.

Tenants may not remain in HCVP if they engage in threatening, abusive, or violent behavior toward the landlord or PHA personnel, participate in specified criminal activity, damage the unit or premises (or permit any guest to damage either), or sublease or sublet the unit or assign or transfer the unit, as specified under program regulations. In addition, sex offenders subject to lifetime registration requirements are not eligible for HCVP.

Other Provisions

HUD pays administrative fees to PHAs based on units leased as of the first day of each month to cover the costs of administering HCVP. Generally, the rates for each PHA are the rates covering the areas in which each PHA has the greatest proportion of its participants.

Each housing unit participating in HCVP must be inspected by certified inspectors (typically employed by PHAs or contracted by HUD) and meet HUD minimum standards. Reinspections must occur every one to two years thereafter.

Families consisting of elderly, near-elderly, or disabled persons may request that the PHA approve a live-in aide and provide necessary supportive services. The PHA must approve the live-in aide if needed as a reasonable accommodation, but the PHA may refuse to approve a particular person as a live-in aide (or withdraw approval) if the person commits specified criminal or drug related offenses or owes rent or other money to a PHA in relation to other federal housing programs.

Generally, PHAs must establish procedures for determining what happens in the event of the death of the voucher holder and there is at least one remaining family member in the unit. The PHA then determines a new head of household, and the voucher may be transferred. However, the voucher is not transferrable to a live-in aide or any individual who was not a part of the household composition.

Waitlists

Generally, eligible applicants not able to secure a voucher under HCVP are placed on a waitlist until a voucher is available. However, not every jurisdiction maintains a waitlist. Though waiting times vary among each housing authority, as of October 31, 2021, the average waiting time for a voucher in Maryland is 20 months.

State Expenditures:

Mandated Appropriation for the State Program

General fund expenditures increase by \$10.0 million annually in fiscal 2025 through 2027, due to the bill's mandated funding for DHCD for the State program. Beginning in fiscal 2028, the bill mandates an annual appropriation sufficient to fund at least the same number of vouchers as issued in the prior fiscal year. This analysis assumes that the appropriation increases by 3% each year beginning in fiscal 2028 to account for increasing rents. Therefore, in fiscal 2028, general fund expenditures increase by \$10.3 million to fund the State program.

Department of Housing and Community Development Administrative Expenses

The bill requires DHCD to verify the income of program participants. Currently, DHCD uses a federal income verification platform that is proprietary to the federal program and therefore not available for use by the State program. DHCD advises that it must procure a contractual income verification service on an ongoing basis.

DHCD advises that it cannot absorb any additional duties with existing resources and that, in order to implement the bill, it needs to hire four additional staff, provide additional funding to PHAs to cover their administrative expenses, and procure contractual services to verify income of State program participants – at a cost of approximately \$1.0 million annually beginning in fiscal 2024, DHCD's estimate assumes that it issues additional vouchers in jurisdictions where DHCD already provides assistance under HCVP, provides administrative support for the State program for PHAs, and coordinates inspections of potential units for *all* tenants, including those served by PHAs.

The Department of Legislative Services disagrees (DLS). While the bill requires DHCD to oversee the State program, it does not require DHCD to provide additional funding to PHAs for program administration beyond what is required under the bill (6% of the appropriation for the State program each year), and DLS assumes that PHAs will conduct the required inspections of units in their jurisdictions, consistent with current practice under the federal program. In addition, assuming DHCD retains the same proportion of total funding under the State program as it does under the federal program, with the balance distributed to PHAs, DHCD may distribute approximately \$300,000 in vouchers in jurisdictions where DHCD administers the program. DLS acknowledges, however, that DHCD requires additional staff for program oversight in addition to contractual services for income verification of State program participants.

Although program funding does not begin until fiscal 2025, this analysis assumes that staff begin in October 2023 to develop program processes and materials and to prepare for program awards beginning in July 2024.

Therefore, general fund administrative expenditures increase by \$255,359 in fiscal 2024, which accounts for the bill’s October 1, 2023 effective date. This estimate reflects the cost of hiring one program manager to oversee the program and one administrative assistant to assist the program manager and to complete other administrative tasks. It includes salaries, fringe benefits, one-time start-up costs, ongoing contractual services for income verification, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$160,541
Contractual Payment Verification Service	80,000
Operating Expenses	<u>14,818</u>
Total FY 2024 DHCD Admin. Expenditures	\$255,359

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

This analysis further assumes that DHCD is not eligible to retain 6% of its allocation for administrative expenses; under the bill, the 6% allowance for administration applies only to PHAs.

DHCD contracts to a third-party for property inspections under the federal program; given that DHCD is expected to award about \$300,000 in additional vouchers each year under the bill, any increase in costs to inspect additional properties is likely minimal and absorbable within existing resources. To the extent two additional staff prove insufficient to implement the bill, DHCD may request additional resources through the annual budget process.

Local Fiscal Effect: Local government revenues and expenditures increase correspondingly to the extent PHAs receive funding from DHCD to issue State program vouchers to eligible participants. Local government expenditures increase further as PHAs inspect eligible housing units. Local administrative costs are partially offset by the required 6% allocation of program funding for staffing expenses. However, it should be noted that funding provided by the bill to offset staffing costs is minimal, as the amount DHCD disburses to PHAs to defray their staffing costs is only 6% of the funding appropriated to the program each year (\$600,000 annually in fiscal 2025 through 2027 and \$618,000 in fiscal 2028 for *all* PHAs).

Small Business Effect: Landlords may experience additional revenues to the extent they participate in the State program. However, participating landlords also experience additional costs as a result of the bill's inspection provisions.

Additional Information

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

Designated Cross File: SB 848 (Senator Guzzone, *et al.*) - Education, Energy, and the Environment and Budget and Taxation.

Information Source(s): Baltimore City; Harford and Wicomico counties; Maryland Association of Counties; City of College Park; Maryland Municipal League; Department of Budget and Management; Department of Housing and Community Development; U.S. Department of Housing and Urban Development; Department of Legislative Services

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