

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 845 (Delegate Holmes, *et al.*)
 Environmental Matters

Study Commission on Housing Policy

This bill creates a 16-member Commission on Housing Policy to examine several issues related to affordable housing in Maryland. The commission must provide its findings and any recommendations in an interim report to the Secretary of Housing and Community Development, the General Assembly, and the Governor by April 1, 2004 and in a final report to the General Assembly and the Governor by December 1, 2004. The Department of Housing and Community Development (DHCD) must provide staffing for the task force.

The bill is effective June 1, 2003.

Fiscal Summary

State Effect: General fund expenditures would increase by \$113,400 in FY 2004 and by \$48,600 in FY 2005 only. Any expense reimbursements for task force members are assumed to be minimal and could be absorbed with existing resources.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	113,400	48,600	0	0	0
Net Effect	(\$113,400)	(\$48,600)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Members must be appointed by August 1, 2003. The bill directs the commission to hold an organizational meeting within one month after members are appointed and to conduct public hearings statewide to receive testimony about Maryland's housing and community development needs and the success of current policies.

Among the commission's responsibilities are:

- investigating the problems related to housing policy in Maryland, particularly the difficulty in developing public policies affecting affordable housing and community development and preventing sprawl;
- investigating local and State policies that have created mixed-income communities and their potential applicability to other parts of the State;
- developing a statewide set of categories of different types of communities for the application and allocation of State housing and community development programs that considers several specified factors;
- reviewing and making recommendations to align State laws, regulations, and budgetary priorities with any State policies or actions in place or proposed by the commission; and
- serving as an informational source for the General Assembly on legislative housing policy.

Current Law: None applicable.

Background: DHCD prepares a Consolidated Plan, as required by the U.S. Department of Housing and Urban Development (HUD), to guide the use of federal and State housing and community development funds. The department prepares the plan every four years and updates it annually to set goals and adjust policies or goals to reflect changes in federal or State programs. As part of this plan, DHCD conducts a housing needs assessment for low- to moderate-income households and for special needs households. The department held statewide hearings in 2000 to determine housing and community development needs, as well as a series of working group meetings that focused on policy issues.

The plan also includes a comprehensive housing market analysis that provides an inventory of housing across the State and discusses how to remove barriers to affordable homeownership. Further, the plan analyzes how existing programs meet the goals established by HUD, which are to: (1) provide decent housing; (2) provide a suitable

living environment; and (3) expand economic opportunities. According to the 2000-2004 plan, approximately 63,500 homeowners in Maryland are extremely low-income and the majority of them have housing problems. Similarly, almost 75% of the extremely low-income renters (118,400) have some type of housing problem; almost half use more than 50% of their income for rent, which means they are at the greatest risk of being homeless.

Housing affordability varies by jurisdiction. According to the Maryland Center for Community Development, the hourly wage needed to afford property at the median sales price in Montgomery County (\$200,000 in fiscal 2001) is \$37.12 and the hourly wage to afford a median-priced property in Baltimore City is \$12.60. However, the average hourly wage for most service employees, such as salespersons, cashiers, and janitors, is below \$8.

Montgomery County began a program several years ago in which federally subsidized housing units for low- and moderate-income households were placed near subdivisions of medium- to high-priced homes.

State Expenditures: DHCD lacks the necessary staff to perform all the tasks required by the bill and will need contractual services. Accordingly, general fund expenditures would increase by \$113,400 in fiscal 2004 and \$48,600 in fiscal 2005 for consulting services and related travel and administrative expenses.

The Department of Legislative Services concurs that the complexity and scope of the commission's responsibilities, in addition to the requirement for statewide hearings, will likely require contractual services and incur operational costs. However, a few of the tasks, such as investigating the availability of affordable housing for limited income families, have been or will be conducted by DHCD, which could potentially lower contractual expenditures.

Additional Information

Prior Introductions: None. However, bills were introduced in 2002 (HB 192 and SB 478) to create a Joint Committee on Housing Policy in the General Assembly to recommend changes in law and budgeting that improve the condition and availability of housing. Both bills received an unfavorable report in committee.

Cross File: SB 586 (Senator Grosfeld, *et al.*) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - February 24, 2003
ncs/jr

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