

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1501 (Delegate Fair)
 Economic Matters

Department of Housing and Community Development - Homeless Shelter Certification

This bill requires the Department of Housing and Community Development (DHCD) to operate a certification program for homeless shelters. Among other requirements, DHCD must establish a tiered system and a staggered approval timeline for homeless shelter certification, as specified. A homeless shelter may not operate without a homeless shelter certification after the applicable certification deadline has passed. DHCD must perform on-site monitoring to determine if a homeless shelter meets the homeless shelter certification requirements established under the bill. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$244,500 in FY 2027 for staff; future years reflect annualization and inflation. General fund revenues may increase minimally from administrative penalties; revenues are not otherwise affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	244,500	286,200	299,600	313,200	326,900
Net Effect	(\$244,500)	(\$286,200)	(\$299,600)	(\$313,200)	(\$326,900)

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

Local Effect: Local government expenditures may increase to the extent any homeless shelters operated by local governments must be upgraded to comply with the standards established by DHCD. Local revenues are not affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary:

Homeless Shelter - Defined

“Homeless shelter” means a facility that is operated for the primary purpose of providing temporary overnight sleeping accommodations, meals, basic needs assistance, and supportive services for case management and housing navigation to homeless individuals. “Homeless shelter” includes a year-round shelter, a safe haven shelter, a transitional shelter, a seasonal emergency shelter, and a disaster or hazard emergency shelter or emergency mass care shelter.

Homeless Shelter Certification – Tiered System and Staggered Approval

DHCD must establish a tiered system for homeless shelter certifications based on the number of individuals served by the homeless shelter, the type and duration of shelter provided, and the type and intensity of services provided. The tiered system must prioritize the certification of homeless shelters in the following order: (1) year-round shelters, including safe haven shelters, transitional shelters, or medical or specialized care shelters; (2) seasonal shelters; (3) motel- or hotel-based shelters; and (4) other shelters.

DHCD must establish a staggered approval timeline to ensure that homeless shelter certification applications are processed efficiently, quality site visits and inspections are conducted, technical assistance is provided to shelter operators, and certifications are issued in a timely manner. The staggered approval process must include notifying operators of existing homeless shelters of each shelter’s classification, assigning homeless shelters into cohorts, and assigning application and certification deadlines.

Homeless Shelter Shelters – Certification Classes

DHCD must establish requirements for each homeless shelter certification class that includes specified requirements, such as (1) requirements for organizational, incorporation, and governance documents; (2) oversight visit and inspection requirements; (3) grounds for the denial, suspension, or revocation of a homeless shelter certification; and (4) penalties for a homeless shelter that operates without a certification after the applicable certification deadline has passed.

Grievance Process

DHCD must develop and implement a grievance process for homeless individuals and homeless shelter residents to notify DHCD of alleged violations, as specified.

Current Law:

Study on the Establishment of a Homeless Shelter Licensing Program

Chapters 151 and 152 of 2024 required DHCD to (1) review current habitability and admission standards of homeless shelters in the State; (2) recommend a basic habitability and admission standard for homeless shelters in the State; and (3) recommend a plan to establish a program within DHCD to license homeless shelters in the State. The Acts also required DHCD to hire one new full-time permanent employee to conduct the study, in consultation with political subdivisions. DHCD advises that the employee it hired pursuant to Chapters 151 and 152 is the current Deputy Director of the Division of Homeless Services. The study was [published](#) in January 2025.

Oversight of Homeless Shelters and Continuums of Care – Generally

There is no State entity charged with the licensure or regulation of homeless shelters. Recipients of federal Continuum of Care (CoC) grants provide services for homeless individuals within a specified geographic area, including shelter operations, street outreach, rapid rehousing, and homelessness prevention. There are 10 CoCs in the State, with DHCD administering 3 that offer consolidated services to the Eastern Shore and Western Maryland.

Generally, each CoC geographic area has a lead agency that is responsible for applying to funding from the federal Department of Housing and Urban Development (HUD) for federal funding and then distributing the funding to eligible recipients, which includes homeless shelters. By accepting HUD funding, CoCs and subsequent grant recipients must follow specified federal requirements generally related to the quality of shelter provided.

Homelessness Solutions Program

The Division of Homeless Solutions within DHCD administers the [Homelessness Solutions Program](#) (HSP), which serves as a statewide response to homelessness in Maryland, providing technical support and funding to CoCs and local homeless coalitions, which coordinate funding and resources for service providers across the State. The goals of HSP are to (1) reduce the number of individuals/households who become homeless by providing front-door shelter diversion services and homeless prevention assistance; (2) shorten the length of time an individual or household experiences homelessness by quickly connecting them to safe permanent housing; and (3) reduce the number of people that return to homelessness by ensuring households are connected to income supports, natural support networks, and community-based resources. HSP funds can be used for street outreach, emergency shelter, rapid rehousing, homeless prevention, permanent supportive housing case management, the Homeless Management Information System, and

administrative costs. Homeless shelters that accept HSP funds must comply with specified minimum habitability standards.

Shelter and Transitional Housing Facilities Grant Program

DHCD also operates the Shelter and Transitional Housing Facilities Grant Program, which provides capital financing for local governments and nonprofit organizations to develop shelter, transitional, or other housing facilities 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 that 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. The Governor must include \$3.0 million in the annual budget for the grant program, and the fiscal 2027 capital budget as introduced includes \$3.0 million in general obligation bonds for the grant program.

State Expenditures: Although DHCD administers some CoCs and HSP, which offers some oversight of homeless shelters that apply for funds, the bill requires DHCD to establish, operate, and enforce a certification program for homeless shelters. DHCD advises that there are more than 200 individual homeless shelters in the State that must be inspected and certified under the bill. Although DHCD advises that its Deputy Director of Homeless Services can oversee the homeless shelter certification program under the bill, it requires staff to handle the additional workload.

Therefore, general fund expenditures increase by \$244,540 in fiscal 2027, which accounts for a 90-day start-up delay from the bill’s July 1, 2026 effective date. This estimate reflects the cost of hiring three program managers to develop and oversee the certification program, inspect homeless shelters, and establish a related grievance process. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$217,118
Operating Expenses	<u>27,422</u>
Total FY 2027 State Expenditures	\$244,540

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

Local Expenditures: Local government expenditures may increase to the extent homeless shelters operated by local governments must be upgraded to meet the standards established by DHCD under the bill. Although a reliable estimate of any such increase in costs is not feasible until the standards are developed, costs may be significant.

Additional Comments: As the bill requires the certification of seasonal emergency shelters, houses of worship and nonprofit organizations that provide such services may opt to not provide homeless shelter services, which could reduce the supply of shelter space during the winter months.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 234 and HB 93 of 2025.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Cecil, Frederick, and Somerset counties; Maryland Association of Counties; Maryland Municipal League; Department of Housing and Community Development; Department of Human Services; Office of Administrative Hearings; Department of Legislative Services

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