

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

House Bill 716

(Chair, Environment and Transportation Committee)(By
Request - Departmental - Housing and Community
Development)

Environment and Transportation

Education, Energy, and the Environment

**Housing and Community Development - Statewide Rental Assistance Voucher
Program Eligibility - Alterations**

This departmental bill makes changes to the Department of Housing and Community Development's (DHCD) administration of the Statewide Rental Assistance Voucher Program (State program). It includes DHCD in the definition of "public housing agency" (PHA), authorizes a PHA to administer the State program in accordance with its local administrative plan, and authorizes DHCD to use a project-based structure for up to 100% of its authorized voucher units to administer the State program, including in political subdivisions without a local administrator under the federal Housing Choice Voucher Program (HCVP). The bill makes further changes to the eligibility criteria, inspection frequency, and State assistance to local PHAs under the State program.

Fiscal Summary

State Effect: The bill's changes are not anticipated to materially affect State finances. Overall funding for the program is unchanged.

Local Effect: Local revenues increase due to an increase in State funding distributed to PHAs to help defray administrative costs. Expenditures are not materially affected.

Small Business Effect: DHCD has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Voucher and Housing Assistance Prioritization and Eligibility

The bill requires each PHA to prioritize vouchers and housing assistance payments for families that include members listed below, repealing a requirement that each PHA *equally* prioritize these families:

- a child who is younger than age 18;
- a foster child between age 18 and age 24;
- a military veteran;
- an individual experiencing homelessness;
- a disabled individual; or
- an elderly individual.

The bill specifies that the PHA's determination of the percentage of monthly adjusted gross income a family is expected to pay for rent and utilities must be made by the PHA at the time the family initially receives assistance under the program, except as otherwise provided in HCVP.

Unit Inspections

The bill modifies unit inspection requirements by mandating that a PHA conduct an initial inspection and periodic inspections thereafter (rather than an annual inspection). After the initial inspection, inspections must occur at least biennially in accordance with the PHA's administrative plan. The bill also modifies the housing quality standards for rental units to include additional specified federal standards, as applicable.

State Assistance to Local Public Housing Agencies

The bill alters the requirement that DHCD distribute 6% of the amount appropriated to the State program each year to local PHAs to help defray staffing expenses related to the administration of the federal and State program. Under the bill, of the amount appropriated to the State program, DHCD must distribute 6% to each PHA each year *or* an amount equal to the federal *de minimis* rate of the PHA's modified total direct costs as set by the U.S. Department of Housing and Urban Development (HUD), whichever is greater. (The federal *de minimis* rate is currently 15%.)

Current Law:

Housing Choice Voucher Program

State and local governments administer several federal programs that provide rental subsidies for low-income tenants. The largest program is HCVP, which is administered primarily at the local level. At the State level, DHCD administers the program for jurisdictions that do not receive a direct allocation from HUD.

Statewide Rental Assistance Voucher Program

The purpose of the State program is to provide vouchers and housing assistance payments for low-income families that are currently on a waiting list under HCVP for housing in units approved by DHCD or a PHA. In general, the program must be administered in accordance with federal guidelines for HCVP.

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

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 each fiscal year 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% of the amount appropriated for the State program each year to PHAs to help defray staffing expenses related to the administration of HCVP and the State program.

Project-based Contract Administration

DHCD administers “project-based” rental assistance, where the subsidy is tied to the rental unit rather than the tenant, for the whole State under a contract with HUD. The State is responsible for reviewing the property owner’s records, ensuring the housing assistance payments are made to the property in accordance with federal rules, reviewing requests for rent increases, responding to tenant complaints, and performing physical inspections of the properties.

Eligibility and Prioritization

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.

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.

Federal De Minimis Rate

Under federal regulations, the current federal *de minimis* rate is 15% of a PHA's modified total direct costs.

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.

Background: DHCD advises that the current 6% cap on the amount of funding DHCD must provide to PHAs to help defray their administrative costs has proven to be inadequate.

DHCD believes increasing the cap to the federal *de minimis* rate (currently 15% of a PHA's modified total direct costs) will provide sufficient resources to PHAs to adequately implement the State program, while maintaining the 6% floor in the event of changes to the federal rate.

DHCD further advises that the inspection standards included in the bill are meant to align current practice with standards currently used by HUD.

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Housing and Community Development; Howard and Prince George's counties; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing and Community Development - Statewide Rental Assistance Voucher Program Eligibility - Alterations

BILL NUMBER: HB 716

PREPARED BY: Chuck Cook

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation contains a number of technical fixes to the State Rental Assistance Voucher program that are not expected to have significant impact on small businesses.