

## Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** HB451

**House of Origin**      X   Introduced           Substitute           Engrossed  
**Second House**           In Committee           Substitute           Enrolled

2. **Patron:**        Herring

3. **Committee:** General Laws

4. **Title:**            **Department of Housing and Community Development; rental assistance pilot project.**

5. **Summary:** The Department of Housing and Community Development (DHCD) is required to develop a three-year rental assistance pilot project in geographic regions of the state. The department is also required to evaluate the effectiveness of the pilot program and report its findings and recommendations in a final report to the Governor and the Housing Commission at the end of the three-year project. Participating localities are required to provide a biannual report to the department to assist in DHCD's evaluation. The bill provides that the program shall be funded by Temporary Assistance for Needy Families (TANF) funds.

6. **Fiscal impact estimates are preliminary.** See item 8, below.

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	-	-	-
2011	94,000	1.0	GF
	2,400,000		NGF
2012	2,494,000	1.0	GF
2013	2,494,000	1.0	GF

7. **Budget amendment necessary:** Yes. Items 99 and 327.

8. **Fiscal implications:** The bill directs DHCD to establish a three-year rental assistance pilot project to help bridge the gap between family income and housing costs for very low income working families. There would be some costs to DHCD in developing and administering such a pilot program. These costs, from the general fund, would include one position and the corresponding salary and fringe benefits estimated at \$82,000, as well as nonpersonal services costs, including but not limited to travel, computer, and telephone, estimated at \$12,000. The responsibilities associated with administering the program, as provided in the bill, would include reviewing the biannual reports for participating localities in order to evaluate the

effectiveness of the program, as well as make a final report, to include findings and recommendations to the Governor and the Housing Commission on the program's effectiveness.

The bill states that the pilot project is to be funded with TANF funds. DHCD estimates that such a pilot program would require \$2.4 million annually. In the past, DHCD has received \$4.9 million annually in TANF funds, as provided for in a memorandum of understanding between the department and the Department of Social Services (DSS). Under the provisions of the agreement, DHCD used these funds for homeless shelter assistance and homeless prevention services.

HB30/SB30, the introduced budget bill, dramatically reduces the amount of TANF funds for such services in the first year of the biennium and eliminates all TANF funds for homeless services in the second year. These actions were recommended based on the rapidly escalating demand for mandated uses for TANF funds. Given the rising demand for mandated TANF services, surplus funds will not be available for optional services. All TANF dollars are fully appropriated in HB30/SB30.

HB30/SB30 includes approximately \$11 million of non-mandated, or discretionary spending in FY 2011, including \$1.2 million for homeless services in DHCD. If the discretionary TANF funding in HB30/SB30 is realigned, it could be used to support the costs associated with this bill. However, there is no discretionary TANF spending for FY 2012 and any reduction to the TANF funding budgeted in that year for mandated spending would need to be replaced with general fund dollars.

Any costs related to this bill in FY 2012 would need to be funded directly with general fund dollars, or any TANF funds redirected for this purpose would need to be replaced with general fund dollars. Therefore, it does not appear that there are TANF funds available for the costs of this bill.

**9. Specific agency or political subdivisions affected:** Department of Housing and Community Development, Department of Social Services.

**10. Technical amendment necessary:** None.

**11. Other comments:** A rental assistance program such as the one proposed in this bill would help address housing affordability for the working poor. In the United States a commonly accepted guideline for housing affordability is a housing cost that does not exceed 30 percent of a household's gross income. A rental assistance program would provide supplemental financial support to ensure a participant's housing costs stayed within this threshold.

DHCD does not currently have resources from the state or federal level for rental assistance. DHCD does support a homeless shelter assistance program through the general fund that provides operating costs for emergency and domestic violence

shelters. DHCD also has some funding for short-term rental intervention services that are used to assist families at immediate risk of becoming homeless.

SB616 also establishes a three-year rental assistance pilot program.

**Date:** 1/27/2010 tmw

**Document:** G:\2010 Session\Legislation\HB451.Doc