



House of Representatives

General Assembly

File No. 189

January Session, 2023

Substitute House Bill No. 6708

House of Representatives, March 23, 2023

The Committee on Housing reported through REP. LUXENBERG of the 12th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE SECURITY DEPOSIT GUARANTEE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-339 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2023*):

3 (a) The Commissioner of Housing shall establish, within available
4 appropriations, and administer a security deposit guarantee program
5 for [persons who (1) (A) are recipients of temporary family assistance,
6 aid under the state supplement program, or state-administered general
7 assistance, or (B) have a documented showing of financial need, and (2)
8 (A) are residing in emergency shelters or other emergency housing,
9 cannot remain in permanent housing due to any reason specified in
10 subsection (a) of section 17b-808, or are] (1) any individual or family
11 whose income is eighty per cent or less of the median income of the state,
12 adjusted for family size, as determined by the United States Department
13 of Housing and Urban Development, (2) any individual who is served
14 a writ, summons and complaint in a summary process action instituted

15 pursuant to chapter 832, or [(B) have] (3) any individual who receives a
16 certificate or voucher from a rental assistance program or federal
17 [Section 8] Housing Choice Voucher program. Under the security
18 deposit guarantee program, the [Commissioner of Housing]
19 commissioner may provide security deposit guarantees for use by
20 [such] persons who are eligible pursuant to this subsection in lieu of a
21 security deposit on a rental dwelling unit. Eligible persons may receive
22 a security deposit guarantee in an amount not to exceed the equivalent
23 of [two] one and one-half months' rent on such rental unit. No person
24 may apply for and receive a security deposit guarantee more than once
25 in any [eighteen-month] twenty-four-month period without the express
26 authorization of the [Commissioner of Housing] commissioner, except
27 as provided in subsection (b) of this section. The [Commissioner of
28 Housing] commissioner may deny eligibility for the [security deposit
29 guarantee] program to an applicant for whom the commissioner has
30 paid [two] one or more claims by landlords. The [Commissioner of
31 Housing] commissioner shall prioritize the provision of security deposit
32 guarantees to eligible veterans and may establish priorities for
33 providing security deposit guarantees to other eligible persons
34 described in [subparagraphs (A) and (B) of subdivision (2)] subdivisions
35 (1) to (3), inclusive, of this subsection in order to administer the program
36 within available appropriations.

37 (b) In the case of any person who qualifies for a guarantee, the
38 [Commissioner of Housing] commissioner, or any local or regional
39 nonprofit corporation or social service organization under contract with
40 the Department of Housing to assist in the administration of the
41 [security deposit guarantee] program established pursuant to
42 subsection (a) of this section, may execute a written agreement to pay
43 the landlord for any damages suffered by the landlord due to the
44 tenant's failure to comply with such tenant's obligations, as defined in
45 section 47a-21, provided the amount of any such payment shall not
46 exceed the amount of the requested security deposit. Notwithstanding
47 the provisions of subsection (a) of this section, if a person who has
48 previously received a grant for a security deposit or a security deposit
49 guarantee becomes eligible for a subsequent security deposit guarantee

50 [within eighteen] not later than twenty-four months after a claim has
51 been paid on a prior security deposit guarantee, such person may
52 receive a security deposit guarantee. The amount of the subsequent
53 security deposit guarantee for which such person would otherwise have
54 been eligible shall be reduced by (1) any amount of a previous grant
55 which has not been returned to the department pursuant to section 47a-
56 21, or (2) the amount of any payment made to the landlord for damages
57 pursuant to this subsection.

58 (c) Any payment made pursuant to this section to any person
59 receiving temporary family assistance, aid under the state supplement
60 program or state-administered general assistance shall not be deducted
61 from the amount of assistance to which the recipient would otherwise
62 be entitled.

63 (d) On and after July 1, 2000, no special need or special benefit
64 payments shall be made by the commissioner for security deposits from
65 the temporary family assistance, state supplement, or state-
66 administered general assistance programs.

67 (e) The [Commissioner of Housing] commissioner may, within
68 available appropriations, on a case-by-case basis, provide a security
69 deposit grant to a person eligible for the [security deposit guarantee]
70 program established under subsection (a) of this section, in an amount
71 not to exceed the equivalent of one month's rent on such rental unit,
72 provided the commissioner determines that emergency circumstances
73 exist which threaten the health, safety or welfare of a child who resides
74 with such person. Such person shall not be eligible for more than one
75 such grant without the authorization of said commissioner. Nothing in
76 this section shall preclude the approval of such one-month security
77 deposit grant in conjunction with a one-month security deposit
78 guarantee.

79 (f) The [Commissioner of Housing] commissioner may provide a
80 security deposit grant to a person receiving such grant through any local
81 or regional nonprofit corporation or social service organization under
82 an existing contract with the Department of Housing to assist in the

83 administration of the security deposit program. [, but in no event shall
84 a payment be authorized after October 1, 2000.] Nothing in this section
85 shall preclude the commissioner from entering into a contract with one
86 or more local or regional nonprofit corporations or social service
87 organizations for the purpose of issuing security deposit guarantees.

88 (g) A landlord may submit a claim for damages not later than [forty-
89 five] twenty days after the date of termination of the tenancy. Payment
90 shall be made only for a claim that includes receipts for repairs made.
91 No claim shall be paid for an apartment from which a tenant vacated
92 because substandard conditions made the apartment uninhabitable, as
93 determined by a local, state or federal regulatory agency.

94 (h) Any person with income exceeding one hundred fifty per cent of
95 the federal poverty level, who is found eligible to receive a security
96 deposit guarantee under this section and for whom the commissioner
97 has paid a claim by a landlord, shall contribute [five] fifty per cent of
98 one month's rent to the payment of the security deposit. The
99 commissioner may waive such payment for good cause.

100 (i) The [Commissioner of Housing] commissioner shall adopt
101 regulations, in accordance with the provisions of chapter 54, to
102 administer the program established pursuant to this section and to set
103 eligibility criteria for the program, but may implement the program
104 while in the process of adopting such regulations provided notice of
105 intent to adopt the regulations is published [in the Connecticut Law
106 Journal within] on the eRegulations System not later than twenty days
107 after implementation.

108 Sec. 2. (*Effective July 1, 2023*) The sum of ten million dollars is
109 appropriated to the Department of Housing from the General Fund, for
110 the fiscal year ending June 30, 2024, for the administration of the security
111 deposit guarantee program.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2023	8-339
Sec. 2	July 1, 2023	New section

Statement of Legislative Commissioners:

In Section 1(a), "not greater than" was changed to "or less" for clarity and in Section 1(b) and 1(i), "within" was changed to "not later than" for clarity.

HSG *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Department of Housing	GF - Cost	Up to 10 million	See Below
State Comptroller - Fringe Benefits ¹	GF - Cost	134,251	137,607
Department of Housing	GF - Potential Cost	Up to 50,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes changes to the security deposit guarantee program (SDGP) administered by the Department of Housing (DOH), including appropriating \$10 million for the program in FY 24 only. This results in a cost of up to \$10 million in FY 24 and an unknown cost in FY 25, associated with: 1) providing additional security deposit guarantees (“guarantees”) and/or grants, and 2) increased administration costs to DOH.

The bill's significant eligibility expansion and the appropriation are anticipated to result in a larger program. Consequently, it is anticipated that DOH will: (1) contract out the day-to-day operation of the program to nonprofits or social service organizations and (2) hire at least one program manager at an annual cost of \$134,251 in FY 24 and \$137,607 in

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

FY 25, for salary and fringe benefits, to monitor compliance and supervise the providers.

Partially offsetting the cost increase due to the program eligibility expansion, the bill reduces the size of the guarantee that DOH can provide and increases certain tenants' contribution to the security deposit. These and a few other aspects of the bill are likely to reduce average state costs per guarantee.

The total cost to the state under the new program rules will depend on: (1) the number of applicants that receive guarantees or grants, (2) the portion of guarantees on which the state must pay out claims (i.e., the default rate) and amount of grants, and (3) the average state cost per claim paid out.

Given that there are approximately 208,573 households in Connecticut that meet the bill's eligibility criteria of earning 80% of the state median income or less, and the average rental cost is currently \$1,512 per month, DOH is anticipated to see sufficient demand to spend the bill's full appropriation in FY 24. DOH could incur claims costs of \$11.8 million to \$23.7 million, for example, if eight percent of the eligible population (16,686 households) received 1.5 month guarantees and had an average total default rate between 25% and 50% for the year. DOH may choose to limit the number of guarantees to prevent overspending.

The bill does not permit the FY 24 appropriation to remain available to DOH in FY 25. When the guarantee to a landlord is made, it is not known when the landlord may make a claim, for example in two months or five years, because it depends on when the tenant leaves the unit. If DOH makes significantly more guarantees in FY 24 by expanding program participation, there will be costs to DOH in FY 25, and annually thereafter, associated with paying out claims to landlords for FY 24 guarantee recipients. Under the bill, DOH can also make security deposit grants for up to one month's rent.

The bill also results in a potential cost to DOH of up to \$50,000 for consultant services in FY 24, to the extent the agency requires outside

assistance to modify program regulations as required by the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. It is anticipated that state costs in the out years could be significant, depending on the amount of landlord claims against state guarantees.

OLR Bill Analysis

HB 6708

AN ACT CONCERNING THE SECURITY DEPOSIT GUARANTEE PROGRAM.

SUMMARY

This bill makes several changes to the security deposit guarantee program. It extends eligibility for the program to any person whose income is less than 80% of the state median income but reduces, from two months' rent to 1.5 months' rent, the size of a guarantee that may be provided. It also reduces, from every 18 months to every 24 months, the frequency with which a person may apply for assistance unless the Department of Housing (DOH) commissioner grants an exception. The bill allows the DOH commissioner to deny eligibility to an applicant after paying one or more claims by a landlord, rather than after paying two claims as current law allows.

The bill appropriates \$10 million to DOH from the General Fund in FY 24 to administer the program.

Under existing law, DOH's security deposit guarantee program may provide a deposit guarantee that a person may use in place of a security deposit. The commissioner, or a local or regional nonprofit or social services organization with whom the department contracts, may execute a written agreement to pay the landlord for damages suffered due to a tenant's failure to comply with his or her obligations. The payment is capped at the amount of the deposit.

EFFECTIVE DATE: July 1, 2023

ELIGIBILITY

The bill makes the security deposit guarantee program available to

(1) any person or family whose income is less than 80% of the state median income adjusted for family size, as determined by the U.S. Department of Housing and Urban Development; (2) a person who has been served a writ, summons, and complaint related to eviction; or (3) a person who has a certificate or voucher from a rental assistance program or federal voucher program.

The bill replaces current law's eligibility requirements, which deem a person eligible for the program if he or she (1) meets one of the latter two factors listed above, or lives in an emergency shelter or other emergency housing for specified reasons (e.g., a catastrophic event), and (2) receives TFA (Temporary Family Assistance), SAGA (state-administered general assistance), or aid under the state supplement program, or has a documented showing of financial need.

Existing law requires the DOH commissioner to prioritize eligible veterans when providing guarantees. Current law authorizes the commissioner to set more priorities based on eligibility criteria other than receipt of cash assistance or documented financial need (e.g., shelter or emergency housing status). The bill instead authorizes her to set more priorities based on any of the bill's eligibility criteria.

APPLICATION FREQUENCY

The bill increases, from 18 months to 24 months, the length of time that a person must wait before re-applying for a security guarantee unless the commissioner authorizes an exception. As under existing law, if the commissioner authorizes an exception, the amount of the subsequent guarantee must be reduced by the amount of any (1) previous grant that has not been returned to DOH and (2) payment to a landlord for damages.

CLAIMS

The bill reduces, from 45 days to 20 days after the termination of a tenancy, the amount of time that a landlord has to submit a claim for damages.

Under current law, if the DOH commissioner pays a claim to a

landlord for a person whose income exceeds 150% of the federal poverty level, the person must contribute 5% of one month's rent to paying the security deposit. The bill increases this to 50% of one month's rent.

CONTRACTS WITH OTHER ORGANIZATIONS

The bill reinstates the DOH commissioner's authority to pay a security deposit grant to a person receiving the grant through any local or regional nonprofit corporation or social service organization under an existing contract with DOH. Under current law, this authority expired in 2000.

REGULATIONS

Existing law requires the DOH commissioner to adopt regulations to implement the program, but allows her to implement the program before adoption if she has published a notice of intent to adopt regulations. The bill requires her to post the notice on the eRegulations System, rather than publish it in the *Connecticut Law Journal*.

COMMITTEE ACTION

Housing Committee

Joint Favorable

Yea 10 Nay 5 (03/02/2023)