

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1446
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 2, 2022

SUMMARY

- Synopsis:** “New Jersey American Dream Act”; appropriates \$25 million to provide down payment and home repair assistance to low and moderate income first-time homebuyers.
- Type of Impact:** State expenditure increase from General Fund.
- Agencies Affected:** Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Years 2 through 4</u>	<u>Year 5 and Thereafter</u>
State Cost Increase	\$25 million	At least \$25 million per year	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would result in an increase in State expenditures attributable to 1) providing assistance to eligible first-time homebuyers to defray the costs associated with acquiring and rehabilitating single-family housing, and 2) administrative costs incurred by the Department of Community Affairs (DCA) for the implementation of the New Jersey American Dream Program.
- The bill appropriates \$25 million to the DCA to support the program’s first year of operation. The also bill requires the operation of the New Jersey American Dream Program for at least four years and requires an annual appropriation of not less than \$25 million during each year the program remains in operation.

BILL DESCRIPTION

This bill, known as the New Jersey American Dream Act, establishes the New Jersey American Dream Program to provide financial assistance for certain lower-income households to achieve homeownership.

The grant program would provide down payment assistance and home repair assistance to certain low- and moderate-income, first-time homebuyers in order to defray the costs associated with acquiring and rehabilitating single-family housing for principal residence. Under the grant

program, the maximum grant awarded to each first-time homebuyer would not exceed six percent of the home's purchase price or \$10,000, whichever is greater. Each first-time homebuyer who receives financial assistance through the grant program, prior to the award of financial assistance, would also be required to complete not less than eight hours of a homebuyer counseling course, as directed by the DCA.

Under the bill, the Commissioner of Community Affairs, in consultation with the Director of the Division of Housing and Community Resources, would be required to promulgate rules and regulations within three months of the enactment of the bill to effectuate the purposes of the grant program. Additionally, the division is required to dedicate at least 20 percent of the grant awards under the grant program to down payment assistance, home repair assistance, or any combination thereof for homes located in overburdened communities, as defined by the bill.

The bill requires the grant program to remain in operation for not less than four years. During that time, the bill also requires the State to annually appropriate not less than \$25 million from the General Fund to support the operations of the grant program, except that the department may not retain more than five percent of program funding for administrative costs. Accordingly, the bill appropriates \$25 million from the General Fund to the department to support the grant program's first year of operations.

The bill also provides that the department is required to submit an annual report to the Legislature concerning the efficacy of the grant program for each year the grant program remains in operation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill would result in an increase in State expenditures attributable to 1) providing assistance to eligible first-time homebuyers to defray the costs associated with acquiring and rehabilitating single-family housing, and 2) administrative costs incurred by the DCA for the implementation of the New Jersey American Dream Program.

Under the New Jersey American Dream Program established by the bill, financial assistance in the form of grant awards would be available to low- and moderate-income first-time homebuyers to be used for down payment assistance, home repair assistance, or a combination thereof. A grant awarded to an eligible homebuyer could not exceed six percent of the purchase price of the single-family housing or \$10,000, whichever is greater.

The DCA is expected to incur increased administrative costs associated with the implementation of the grant program, which responsibilities include developing the curriculum and provision of the homebuyer counseling course in addition to determining the requirements for application submissions, the criteria for application selections, and the eligible uses of financial assistance. Specifically, the Division of Housing and Community Resources in the department would be responsible for the ongoing administration of the program. The department would also be required to submit an annual report to the Legislature concerning the efficacy of the grant program for each year the grant program remains in operation.

The bill appropriates \$25 million from the General Fund to the DCA to support the program's first year of operation. The department would be permitted to retain not more than five percent,

or \$1.25 million, for administrative costs. Assuming that the department retains the entire amount permitted for administrative costs, and that each recipient receives a grant of \$10,000, the remaining \$23.75 million could assist 2,375 eligible homebuyers. Because the bill provides for assistance not to exceed six percent of the home's purchase price or \$10,000, whichever is greater, the number of homebuyers assisted through the program would decrease from 2,375 based on the number of homes purchased through the program at prices which exceed approximately \$166,667, and the specific cost of those homes.

The bill requires the operation of the New Jersey American Dream Program for at least four years and requires an annual appropriation of not less than \$25 million during each year the program remains in operation.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).