152nd GENERAL ASSEMBLY
FISCAL NOTE

BILL:	**SENATE SUBSTITUTE NO. 1 FOR SENATE BILL NO. 1**
SPONSOR:	**Senator Townsend**
DESCRIPTION:	**AN ACT TO AMEND TITLE 25 OF THE DELAWARE CODE RELATING TO THE RESIDENTIAL LANDLORD-TENANT CODE.**

Assumptions:

1. This Act becomes effective 120 days upon signature by the Governor.
2. This Act creates a right to legal representation for eligible tenants related to eviction or other landlord-tenant actions in a judicial or administrative proceeding. Other provisions of this Act relevant to this fiscal projection include:
   a. the establishment of a Right to Representation Coordinator ("Coordinator") to oversee the implementation of this program and carry out the provision of representation in proceedings covered by the Act.
   b. authorizes the Coordinator and staff to conduct outreach and education around the right to representation.
   c. authorizes the creation of a residential eviction diversion program.
3. Prior to the COVID-19 pandemic, approximately 18,000 eviction filings and other matters were filed each year in this State. As it is assumed the number of eviction cases will return to pre-pandemic levels, it is estimated that 68.7%, or 12,366, of those filed cases would be income eligible for legal representation provided by this Act. Further, it is estimated that out of the total number of filed cases eligible for legal representation, 4,000, or 32.35%, tenants will accept legal representation annually. Of that, it is assumed that 3,000, or 75%, tenants meet the income eligibility criteria, live in a home where the landlord has more than three rental units as defined in the Act, and will accept legal representation.
4. This Act provides that upon an appropriation from the General Assembly, the Attorney General shall designate and contract with one or more designated organizations to implement and provide the required services.
5. This Act requires the Justice of the Peace Court ("JP Court") to establish and administer a residential eviction diversion program to facilitate dispute resolution between landlords and tenants. It is assumed that the implementation and start-up of this program will occur gradually over the next three fiscal years as outreach and education events regarding the right to representation take place in future years. The JP Court estimates it will incur the following costs to implement and administer the program:
   a. Year One (Fiscal Year 2024)
      i. Recurring Costs - $297,699
         1. $158,549 in the Fiscal Year 2024 Personnel Costs (9 months of funding), including OECs (at a rate of 31.93%), for 2.0 FTE, Judicial Case Manager I; and 1.0 FTE, Mediation Unit Supervisor.
         2. $100,000 estimated for projected increases to the annual subscription costs resulting from enhancements to the Online Dispute Resolution (ODR) system.
         3. $39,150 estimated for lease and related utility expenses related to securing a facility to house the new positions.

ii. One-Time Costs - $171,210

1. $21,210 for computer equipment and office furniture startup costs for new positions.
2. $150,000 for programming updates to modify the existing software program, ODR, to be able to accommodate diversion cases.

b. Year Two (Fiscal Year 2025)

i. Recurring Costs - $634,868

1. $481,624 in the Fiscal Year 2025 Personnel Costs, including OECs, for 12 months of funding for positions provided in year one plus 5.0 FTE, Mediation Officers (9 months of funding).
2. $100,000 estimated for projected increases to the annual subscription costs resulting from enhancements to the ODR system.
3. $53,244 estimated for lease and related utility expenses.

ii. One-Time Costs - $27,897 for computer equipment and office furniture startup costs for new positions.

c. Year Three (Fiscal Year 2026)

i. Recurring Costs - $728,912

1. $574,603 in the Fiscal Year 2025 Personnel Costs, including OECs, for positions provided in years one and two.
2. $100,000 estimated for projected increases to the annual subscription costs resulting from enhancements to the ODR system.
3. $54,309 estimated for lease and related utility expenses.

d. If the JP Court receives a significant number of new cases beyond the current projections because of this Act, additional Judges, support staff, and judicial resources may be necessary at a later date.

7. The results of an executed contract(s) for legal representation for covered individuals among the designated organization(s) are uncertain. Using an average of $1,000 per case, and the estimated annual caseload of 3,000 cases, upon full implementation, a yearly contract among the designated organization(s) for this program could be approximately $3,000,000.

   a. It is assumed that the estimated legal services contract cost will be phased in over three years to allow for the gradual startup of this program and to account for the expected growth of cases in subsequent years as outreach and education events regarding the right to representation take place in future years. Therefore, year one costs are estimated at $750,000, and year two costs are estimated at $1,500,000.

8. Funding for the Coordinator to oversee the implementation of this program and carry out the provisions of representation in proceedings covered by this Act will likely be included as part of an executed contract(s). While the terms of the agreement are uncertain, for this fiscal projection, it is assumed that up to 10% of the amount appropriated for the program may be used for the Coordinator, and Coordinator's office, to cover the costs of administering the program. These costs are assumed not to exceed $200,000 once the program is fully operational. Therefore, year one costs are estimated at $75,000, year two costs are estimated at $150,000, and year three costs are estimated at $200,000.

9. A 2% inflation cost has been included for projected increases in salary, health insurance, OECs, and lease and utility costs in future years.

Cost:

	One-Time	**Operating/Recurring**
Fiscal Year 2024:	$171,210	$1,122,699
Fiscal Year 2025:	$27,897	$2,284,868
Fiscal Year 2026:		$3,928,912

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