

S00A
Department of Housing and Community Development

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$3,294	\$2,933	\$2,773	-\$160	-5.5%
Contingent & Back of Bill Reductions	0	0	-2	-2	
Adjusted General Fund	\$3,294	\$2,933	\$2,771	-\$162	-5.5%
Special Fund	26,762	29,135	33,207	4,072	14.0%
Contingent & Back of Bill Reductions	0	0	-1,081	-1,081	
Adjusted Special Fund	\$26,762	\$29,135	\$32,126	\$2,991	10.3%
Federal Fund	192,998	211,425	218,406	6,981	3.3%
Contingent & Back of Bill Reductions	0	0	-60	-60	
Adjusted Federal Fund	\$192,998	\$211,425	\$218,346	\$6,921	3.3%
Reimbursable Fund	2,023	1,235	985	-250	-20.2%
Adjusted Reimbursable Fund	\$2,023	\$1,235	\$985	-\$250	-20.2%
Adjusted Grand Total	\$225,077	\$244,728	\$254,228	\$9,500	3.9%

- Fiscal 2009 deficiencies would provide \$1.3 million in special and federal funds for the following purposes: (1) \$1.0 million in special funds would support affordable housing activities through the Maryland Affordable Housing Trust; (2) \$223,000 transfers funds from the General Bond Reserve Fund to offset fiscal 2009 cost containment reductions; and (3) \$75,000 would make federal funds available for contractual full-time equivalent (FTE) positions.
- When adjusted for contingent reductions, the fiscal 2010 allowance increases \$9.5 million, or 3.9%, above the fiscal 2009 working appropriation.
 - Reductions contingent upon the enactment of legislation include a \$1.0 million special fund decrease for the low-income weatherization program and a \$143,060 decrease for the deferred compensation match.

Note: Numbers may not sum to total due to rounding.

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- The budget increases primarily as a result of increased federal funds for the Rental Services Program and increased special funds for the Special Loans Program.
- The Department of Housing and Community Development (DHCD) continues to sustain operations with low reliance on general funds. The fiscal 2010 allowance of general funds is 1.1% of the total budget.

Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	311.00	311.00	311.00	0.00
Contractual FTEs	<u>21.20</u>	<u>46.50</u>	<u>41.50</u>	<u>-5.00</u>
Total Personnel	332.20	357.50	352.50	-5.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.55	5.00%
Positions and Percentage Vacant as of 12/31/08	18.60	5.98%

- The vacancy rate as of December 31, 2008, was 5.98%.
- The agency's turnover rate of 5.0% requires an average of 15.55 vacant positions throughout fiscal 2010 to achieve the savings required.
- The fiscal 2010 allowance reflects the abolishment of 5.0 contractual FTEs.

Analysis in Brief

Major Trends

Homeownership Assistance Grows: In fiscal 2006, DHCH provided financial assistance to 2.2% of low- and moderate-income residents. That share increased to 7.8% in fiscal 2007 and 8.4% in fiscal 2008.

Rental Housing Falls Short of Goal: Production of affordable rental units has fluctuated since fiscal 2004. In fiscal 2008, DHCH produced 2,568 units. This was 405 units shy of the estimate and 232 units less than fiscal 2007.

Neighborhood Revitalization Assistance Nears Goals: The total number of small businesses that were either created or expanded reached 209 in fiscal 2008. The number of jobs created also increased to 691 in fiscal 2008.

Issues

Foreclosure Activity in Maryland: New laws adopted during the 2008 session extended the amount of time before a property may foreclose to 90 days. As a result, the number of foreclosure events for the second and third quarter of calendar 2008 dropped significantly. Foreclosure filings essentially caught up with the timing of the new rules, and the foreclosure rate for the fourth quarter of calendar 2008 returned to the prior pattern. **The Department of Legislative Services recommends that DHCD brief the committees on the effectiveness of loss mitigation initiatives. DHCD should also brief the committees on the Alternative-A and option adjustable rate mortgage problems in Maryland and the impact on the projection of foreclosure events.**

Federal Economic Stimulus to Enhance Existing Programs: The American Recovery and Reinvestment Act of 2009 makes \$183.7 million in federal funding available for housing-related activities in Maryland. **The agency should comment on how it will administer the additional funding within existing staffing and resources. DHCD should also comment on how it will commit the funds within federally mandated timeframes.**

StateStat Initiative: StateStat is a data-driven performance measurement initiative undertaken by the Office of the Governor to measure Executive Branch agencies' success through a focus on outcomes rather than inputs. **The agency should comment on the progress of its participation in StateStat and the usefulness for effective decisionmaking.**

Recommended Actions

	<u>Funds</u>
1. Reduce general funds for Community Legacy Program.	\$ 500,000
Total Reductions	\$ 500,000

Updates

Federal Housing and Economic Recovery Act of 2008: In July, Congress passed the Housing and Economic Recovery Act of 2008 which included several funding provisions to help states address rising foreclosures. Significant financial resources were awarded to Maryland to expand existing programs and initiatives.

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Operating Budget Analysis

Program Description

The mission of the Department of Housing and Community Development (DHCD) is to work with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work, and prosper.

- **Homeownership:** As shown in **Exhibit 1**, well over half of the agency's activity is geared toward promoting homeownership. Those who meet certain income criteria can access loans with below-market interest rates and grants for down payment and settlement expenses to buy homes. Mortgage revenue bonds are the primary source of funds for these loans and grants. Exhibit 1 shows that DHCD bonds, which are not part of the State-appropriated budget, account for most of the agency's resources.

DHCD reports that in fiscal 2008 the average homebuyer had an annual income of \$60,286, and the average home price was \$204,570. Minority homebuyers made up 50% of homebuyers assisted.

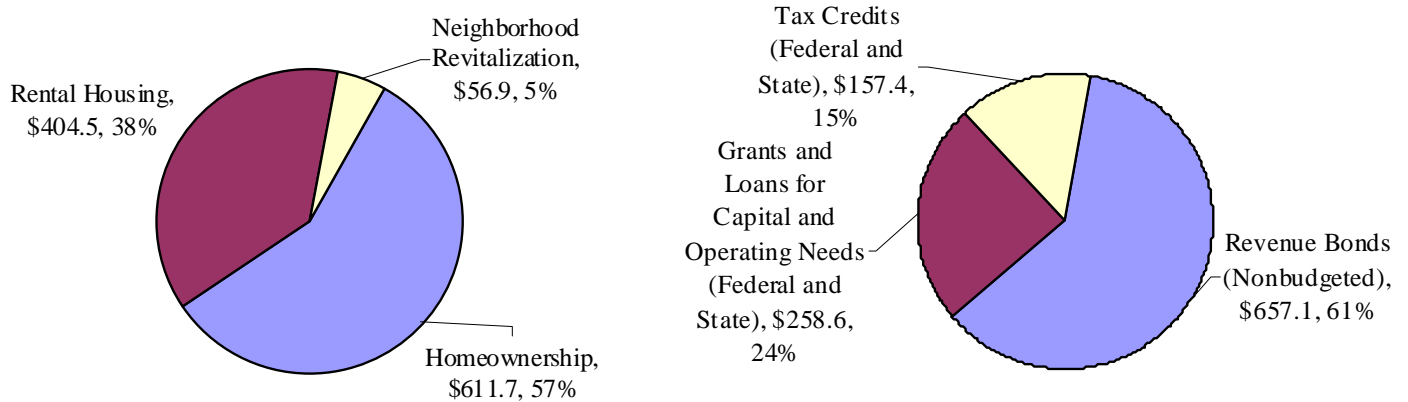
Other Single Family Program activities support grants and loans for weatherization, lead hazard reduction, indoor plumbing improvements, overall rehabilitation, and group home projects.

- **Affordable Rental Housing:** As shown in Exhibit 1, more than one-third of the agency's activity goes to developing affordable rental housing. Developers and nonprofits can access tax credits and below-market loans to help finance multi-family housing projects serving low-income families; some loans are also available to local governments. Federal Low-income Housing Tax Credits (generating \$155 million of equity in fiscal 2008) are a crucial part of the financing for these projects. The loans are funded with State-appropriated rental housing funds, federal Home Investment Partnership Program funds, and the proceeds of tax-exempt and taxable bonds.

Rental housing support also includes subsidy grants that are provided to low-income families in conjunction with local government, federal, and private sector assistance.

- **Neighborhood Revitalization:** As shown in Exhibit 1, about 5% of the agency's activity is for neighborhood revitalization. Local governments, community development nonprofits, businesses, and others involved in improving communities can access grants, below-market loans, and technical assistance and training. Funds are used for projects such as streetscape and façade improvements, recreational amenities, and improvement of public spaces.

Exhibit 1
DHCD – Activity by Goal and Source
Fiscal 2008 Total = \$1.1 Billion
(\$ in Millions)



DHCD: Department of Housing and Community Development

The department's programs are administered through three operating divisions: the Division of Credit Assurance, which includes the Maryland Housing Fund's mortgage insurance activities; the Division of Neighborhood Revitalization; and the Division of Development Finance, which includes the Community Development Administration (CDA). CDA issues nonbudgeted tax-exempt and taxable bonds that are DHCD's most plentiful resource.

DHCD has three administrative support units, including the Office of the Secretary, the Division of Information Technology, and the Division of Finance and Administration.

Performance Analysis: Managing for Results

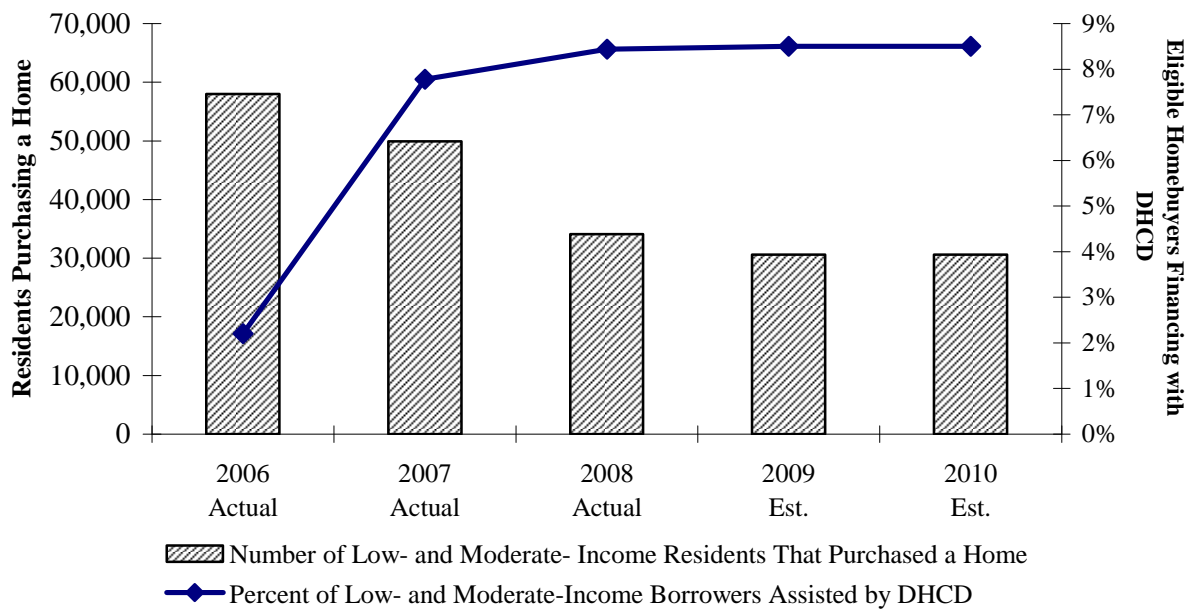
DHCD focuses on improving homeownership – as well as affordable rental housing availability – for low- and moderate-income Marylanders. Specifically, DHCD targets families that have incomes below 60% of the median income in their area.

Homeownership Assistance

One of DHCD’s main objectives is to help low- and moderate-income residents purchase homes. Although the housing market has declined in recent years, DHCD continues to support a large share of the market it strives to serve. **Exhibit 2** shows the decline in the total number of low- and moderate-income residents that purchased a home in Maryland, which is consistent with the decline for all homebuyers regardless of income. At the same time, the percentage of those borrowers that were assisted by DHCD has increased. In fiscal 2006, DHCD provided financial assistance to 2.2% of low- and moderate-income residents purchasing a home within DHCD purchase price limits. That share increased to 7.8% in fiscal 2007 and 8.4% in fiscal 2008.

DHCD also assists homeowners in keeping their homes by refinancing their existing mortgages. DHCD is able to do so through the Lifeline refinancing product. Of the 2,877 loans that DHCD made in fiscal 2008, 29 were Lifeline refinances.

Exhibit 2
Low- and Moderate-income Homeownership Assistance
Fiscal 2006-2010



DHCD: Department of Housing and Community Development

Notes: Data on low- and moderate-income residents include only those receiving financial, not technical, assistance from DHCD. Data on homebuyers assisted among all eligible homebuyers reflect the number of low- and moderate-income homebuyers receiving DHCD financing of all homebuyers meeting Maryland Mortgage Program purchase price limits.

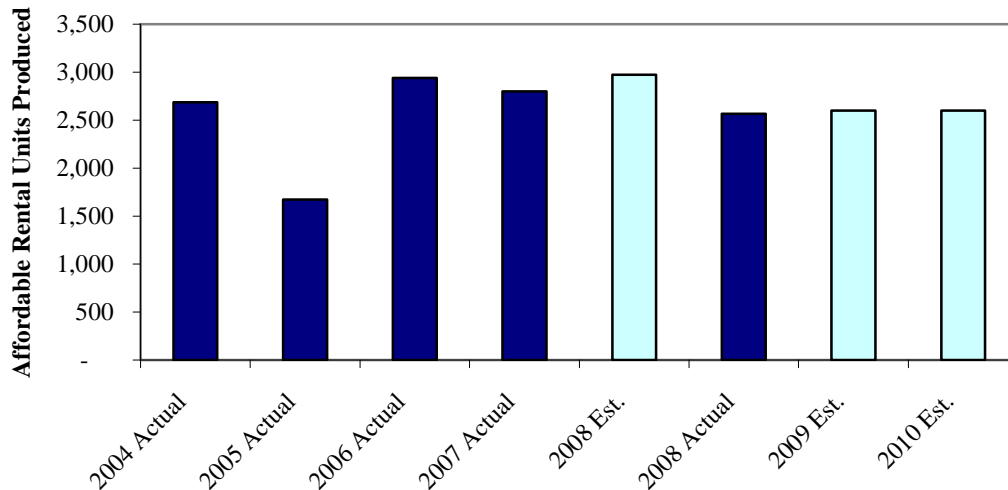
Source: Department of Housing and Community Development

Rental Housing

Another DHCD Managing for Results (MFR) goal is to expand decent, affordable rental housing in Maryland in response to a growing shortage of affordable rental units that the agency projects over the next 10 years. DHCD has several programs geared toward rental housing, including providing rent subsidies to families (in partnership with local government and private sector organizations) and providing financing to housing authorities and other developers to construct new rental housing. The new rental housing properties generally have from 30 to 300 units and cost \$5 million to \$30 million each.

To measure progress, DHCD tracks the number of new affordable rental housing units produced through financial support. The number of units produced is based on the projects that go to initial closing. The initial closing status means that DHCD and the borrower have closed the loan on the project and construction is about to begin. Final closing is achieved after construction is complete. As shown in **Exhibit 3**, unit production has fluctuated since fiscal 2004. In fiscal 2008, DHCH produced 2,568 units. This was 405 units shy of the estimate, and 232 units less than fiscal 2007. DHCD indicates that the number of projects going to initial closing has slowed significantly in response to rising construction costs, tightening credit markets, and decreased equity available from federal Low Income Housing Tax Credits.

Exhibit 3
Affordable Rental Housing Units Going to Initial Closing
Fiscal 2004-2010



DHCD: Department of Housing and Community Development

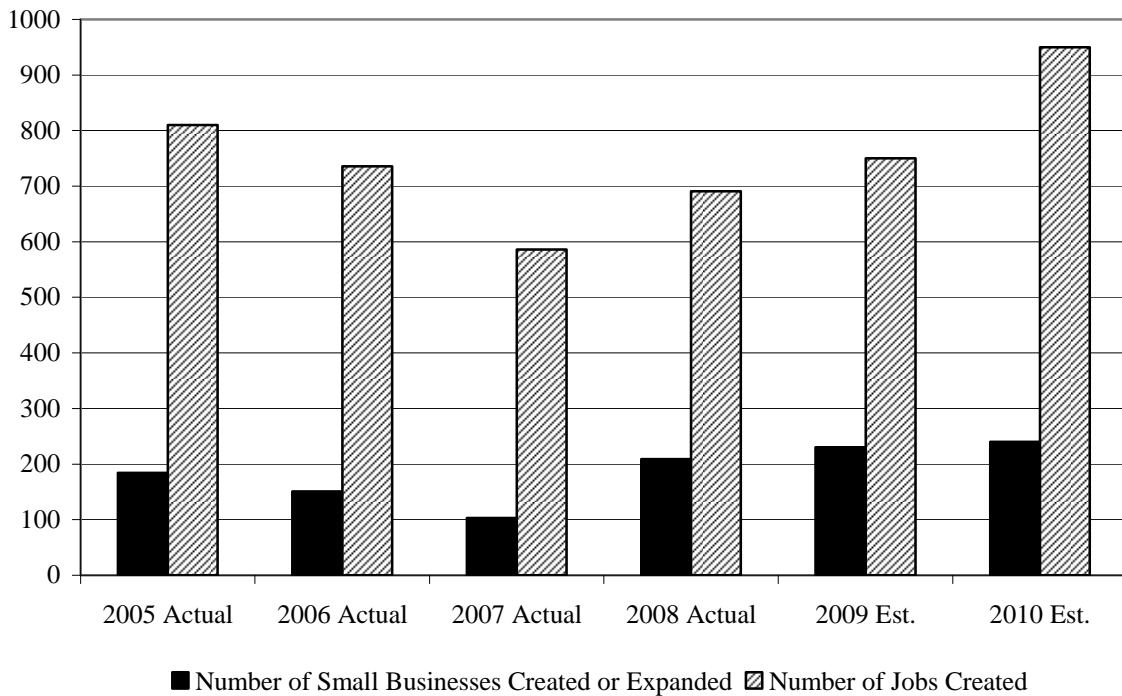
Note: Initial closing status means that DHCD and the borrower have closed the loan on the project and construction is about to begin. Final closing is achieved after construction is complete.

Source: Department of Housing and Community Development

Neighborhood Revitalization

As part of MFR efforts, DHCD’s Division of Neighborhood Revitalization (NR) tracks its work at the community level. Assistance goes to nonprofit and community-based organizations, local governments, and small businesses. These funds target infrastructure improvements, business and housing opportunities, main street revivals, historic sites, parks, and playgrounds. The total number of small businesses that were either created or expanded with NR funds reached 209 in fiscal 2008, as shown in **Exhibit 4**. The number of jobs created also increased to 691 in fiscal 2008.

Exhibit 4
Creation and Expansion of Businesses and Jobs
Fiscal 2005-2010



Source: Department of Housing and Community Development

Fiscal 2009 Actions

Proposed Deficiency

Fiscal 2009 deficiencies would provide \$1.3 million, including \$1.2 million in special funds and \$75,000 in federal funds, as follows:

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- \$1.0 million in special funds from the Maryland Affordable Housing Trust would support the promotion of affordable housing;
- \$223,000 in special funds from the General Bond Reserve Fund would offset general funds in the Division of Neighborhood Revitalization reduced by the Board of Public Works (BPW); and
- \$75,000 in federal funds would support salaries of contractual full-time equivalent (FTE) positions in the Division of Neighborhood Revitalization. These funds are available through the Housing and Economic Recovery Act of 2008.

Impact of Cost Containment

The Governor proposed and BPW adopted reductions to the fiscal 2009 appropriation. Cost containment actions taken in fiscal 2009 total \$363,000. Included in the actions were (1) a \$223,000 general fund reduction for operating expenses in the Division of Neighborhood Revitalization, offset by a special fund swap from the General Bond Reserve Fund; and (2) across-the-board adjustments for items such as health insurance and Other Post Employment Benefits (OPEB) (\$9,809 in general funds, \$74,611 in special funds, and \$55,415 in federal funds).

Proposed Budget

As shown in **Exhibit 5**, the DHCD budget increases \$9.5 million, or 3.9%. The entire increase comes in the form of special and federal funds and is primarily attributed to:

- \$6.9 million federal funds for the Contract Administration Program. This estimates the amount of federal funding DHCD will receive from the federal Department of Housing and Urban Development to manage new and existing Section 8 properties;
- \$1.9 million special funds for the Special Loans Program. This is primarily driven by a \$2.5 million increase for weatherization activities due to funding in the Strategic Energy Investment Fund made available from the auction of carbon dioxide emission allowances held as part of the Regional Greenhouse Gas Initiative. However, the allowance also reflects a \$1.0 million decrease in weatherization funding from the Department of Human Resources' (DHR) Universal Services Benefit Program contingent on the enactment of budget reconciliation language; and

Exhibit 5
Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2009 Working Appropriation	\$2,933	\$29,135	\$211,425	\$1,235	\$244,728
2010 Allowance	<u>2,773</u>	<u>33,207</u>	<u>218,406</u>	<u>985</u>	<u>255,371</u>
Amount Change	-\$160	\$4,072	\$6,981	-\$250	\$10,643
Percent Change	-5.5%	14.0%	3.3%	-20.2%	4.3%
 Contingent Reduction	 -\$2	 -\$1,081	 -\$60	 \$0	 -\$1,143
Adjusted Change	-\$162	\$2,991	\$6,921	-\$250	\$9,500
Adjusted Percent Change	-5.5%	10.3%	3.3%	-20.2%	3.9%
 Where It Goes:					
Personnel Expenses					
Health Insurance – employees and retirees.....					\$754
Reclassifications					441
Retirement contribution					241
Reduction of Other Post Employment Benefits’ unfunded liability					-474
Elimination of 5.0 contractual full-time equivalents					-363
Turnover adjustment.....					-236
Contingent reductions: deferred compensation match.....					-143
Remainder.....					-49
Other Changes					
Contract administration					6,872
Special Loans Program.....					1,882
Maryland Affordable Housing Trust					1,000
Contingent reductions: weatherization program.....					-1,000
Finance and administration – rent paid to the Department of General Services.....					306
Other expenditures.....					269
Total					\$9,500

Note: Numbers may not sum to total due to rounding.

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- \$1.0 million special funds from the Maryland Affordable Housing Trust. This trust is funded with interest from title company escrow accounts. Available dollars would be dedicated to affordable housing activities directed at families earning less than 50% of area or statewide median income.

Impact of Cost Containment

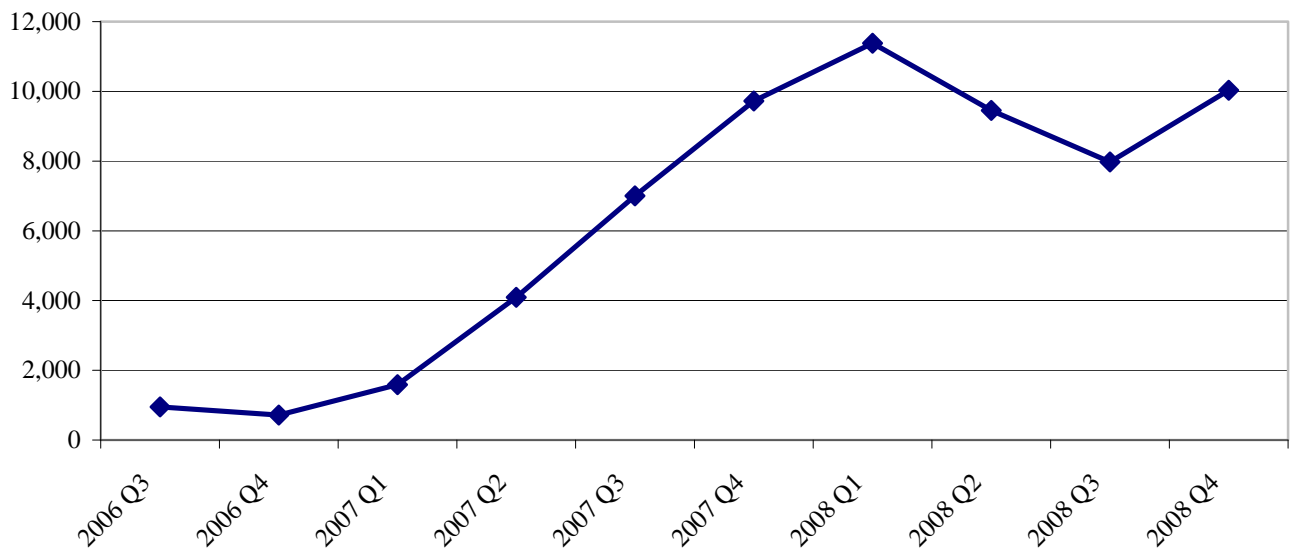
Contingent reductions are effected in this agency budget to reduce \$143,060 to delete the deferred compensation match and \$1.0 million in special funds from DHR for the low-income weatherization program. Personnel reductions may occur in this agency as part of a statewide \$30.0 million unallocated across-the-board reduction.

Issues

1. Foreclosure Activity in Maryland

New laws adopted during the 2008 session extended the amount of time to 90 days before a property may foreclose once a Notice of Intent to Foreclose has been filed. While the legislation was intended to afford homeowners more time to identify resources that would allow them to keep their homes, it also had the anticipated effect of temporarily slowing the foreclosure rate in Maryland. As a result, the number of foreclosure events for the second and third quarter of calendar 2008 dropped significantly. Foreclosure filings essentially caught up with the timing of the new rules, and the foreclosure rate for the fourth quarter of calendar 2008 returned to the prior pattern. Foreclosure events for the fourth quarter of 2008 were up 11.5% from the same quarter of calendar 2007, and placed Maryland at eighteenth in the nation. Foreclosure events are displayed in **Exhibit 6**.

Exhibit 6
Foreclosure Events in Maryland
Fiscal 2006-2008



Source: Department of Housing and Community Development

Foreclosure Response

DHCD has created and expanded several programs to address rising foreclosures, primarily through existing resources. The focus has been on foreclosure prevention and loss mitigation through the following efforts:

- Lifeline Refinance Mortgage Program – a total of 52 loans worth \$13.0 million have been issued through this product, of which 29 were made in fiscal 2008.
- Homesaver Refinance Mortgage Program – a total of 22 loans worth \$6.2 million have been issued through this product, of which 3 loans were made in fiscal 2008. This program has credit score and delinquency history requirements that are more lenient than the Lifeline Program, allowing it to target homeowners in financial distress.
- Bridge to Hope Program – This program provides loans of up to \$15,000 for homeowners at risk of foreclosure to help keep them on track until they are able to refinance or develop an exit strategy. DHCD has closed 20 loans and has 18 active reservations totaling \$436,259. Moreover, in eight instances loss mitigation has been successfully achieved simply by leveraging the availability of program funds without actually providing a loan.
- Consumer Outreach and Education – includes financial assistance to home counseling agencies, the HOPE hotline and web site, outreach events, and advertising campaigns.

In addition to these initiatives, homeowners in danger of foreclosing have been alerted. The Commissioner of Financial Regulation in the Department of Labor, Licensing, and Regulation received more than 64,000 Notices of Intent to Foreclose during calendar 2008. Over 60,000 letters were mailed to these residents to notify them of their rights and available services. DHCD expects foreclosure events to remain high. According to the agency, there are an abundance of so-called Alternative-A (Alt-A) and option adjustable rate mortgages, popular products requiring minimal documentation which immediately followed the peak of sub-prime lending. The majority of these loans are scheduled to reset beginning in calendar 2009. The Alt-A loans are of particular concern because well over 50% of those in the Maryland market have not yet reset. DHCD estimates that 14,087 and 6,735 of these mortgages are scheduled to reset in fiscal 2009 and 2010, respectively. Another 13,195 may reset thereafter.

The Department of Legislative Services recommends that DHCD brief the committees on the effectiveness of its loss mitigation initiatives in combating foreclosures. DHCD should also brief the committees on the Alt-A and option adjustable rate mortgage problems in Maryland and the impact on the projection of foreclosure events.

2. Federal Economic Stimulus to Enhance Existing Programs

The American Recovery and Reinvestment Act of 2009 makes \$183.7 million in federal funding available for housing-related activities in Maryland. As shown in **Exhibit 7**, funds will directly enhance the following existing programs in DHCD:

Exhibit 7
American Recovery and Reinvestment Act of 2009
State Funds for Housing Related Activities

<u>Program</u>	<u>Nationwide</u>	<u>State</u>	<u>DHCD</u>
Weatherization Assistance	\$5,000,000,000	\$63,207,000	\$63,207,000
HOME Investment Partnerships	2,250,000,000	31,500,000	31,500,000
Community Services Block Grant	1,000,000,000	12,600,000	12,600,000
Emergency Shelter Grants	1,500,000,000	22,600,000	5,700,000
Community Development Block Grant	1,000,000,000	15,000,000	2,200,000
Neighborhood Stabilization Program	2,000,000,000	*	*
Public Housing Authorities Capital	4,000,000,000	38,768,000	0
Total	\$16,750,000,000	\$183,675,000	\$115,207,000

DHCH: Department of Housing and Community Development

*Allocation of Neighborhood Stabilization Program funds unknown at this time. Funds will be awarded based on a competitive application process.

Source: Department of Housing and Community Development

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- Weatherization Assistance Program (operating)***: Maryland will receive an estimated \$63.2 million from the U.S. Department of Energy for the Weatherization Assistance Program (WAP) which provides energy efficiency services to low-income households. The additional funding will be provided to DHCD which directs the assistance to county agencies and nonprofit organizations. However, the existing formula which determines the allocation of funds among locals is expected to change under the new legislation. The legislation also loosens income restrictions, allowing the program to reach more homes. There are \$4.3 million in special funds, \$2.6 million in federal funds, and \$750,000 in reimbursable funds in the WAP fiscal 2010 budget.
 - HOME Investment Partnerships Program (capital)***: The HOME program in the U.S. Department of Housing and Urban Development (HUD) provides federal assistance for the promotion of affordable housing for low-income families. Funds may be used for a variety of activities, including other existing HUD programs but must be primarily directed at expanding the supply of affordable housing units. DHCD will receive \$31.5 million that would be

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applied toward the Rental Housing Program. 75% of the funds must be committed by February 2010. The fiscal 2010 allowance for the Rental Housing Program includes \$12.6 million in special funds, \$4.8 million in federal funds, and \$2.9 million in general obligation bond funds.

- ***Community Services Block Grant Program (operating)***: \$12.6 million will be directed to the Community Services Block Grant Program (CSBG), which would grant the monies to local governments. The locals, in turn, provide the funds to Community Action Agencies (CAA) that offer a variety of services to low-income individuals. The legislation alters the program requirements slightly, such that CAAs receiving grants must provide services that target individuals with incomes at 200% of the federal poverty guideline, rather than 125%. The CSBG fiscal 2010 allowance includes \$10.3 million in federal funds, \$348,350 in special funds, and \$70,466 in general funds.
- ***Emergency Shelter Grants (operating)***: HUD's Emergency Shelter Program (ESG) provides assistance to shelter facilities for operational costs, directly assists individuals requiring short-term homeless prevention, and funds the rehabilitation or remodeling of buildings to be used as shelters. \$22.6 million will be awarded to Maryland under the federal stimulus package, of which \$5.7 million will pass through the Division of Neighborhood Revitalization and be awarded to non-entitlement areas of the State. The fiscal 2010 allowance includes \$600,000 for ESG grants.
- ***Community Development Block Grant Program (capital)***: The CDBG program in the Division of Neighborhood Revitalization provides competitive grants to local governments for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and improving community facilities and services. HUD would provide an additional \$2.2 million for CDBG purposes, although expenditures would be focused on infrastructure projects. The CDBG fiscal 2010 budget includes \$11.0 million in federal funds.
- ***Neighborhood Stabilization Program (capital)***: The federal stimulus provides \$2.0 billion nationwide for the NSP program. Funds are currently unallocated and will be awarded to states and local jurisdictions at a later date through a competitive application process. Awards for NSP must be used to redevelop abandoned and foreclosed homes in communities impacted by foreclosure. Acquired properties may be rehabilitated. However, unlike prior NSP awards, they are not required to be used toward property demolition. Dollars will pass through the Community Development Block Grant Program and language requires that 50% of funds be expended in 2 years and the full amount within 3 years. As mentioned, the CDBG fiscal 2010 allowance is \$11.0 million in federal funds.
- ***Local Public Housing Authorities (capital)***: Nationwide, \$4.0 billion is directed to local public housing authorities (PHA) under the federal stimulus bill. These funds are currently unallocated and would be awarded based on a competitive application process to help address an estimate \$32.0 billion nationwide backlog in capital needs, especially for energy efficiency

in aging buildings. All funds for these purposes would be awarded directly to the local PHAs. Funds would not be awarded to DHCD.

The agency should comment on how it will administer the additional funding within existing staffing and resources. DHCD should also comment on how it will commit the funds within federally mandated time frames.

3. StateStat Initiative

StateStat is a data-driven performance measurement initiative undertaken by the Office of the Governor to measure Executive Branch agencies' success through a focus on outcomes rather than inputs. Through this process, agencies are required to submit monthly, quarterly, and annual data. Biweekly meetings are held with participating agencies to foster accountability, incorporate the data into decisionmaking processes, and identify efficiencies within programs.

Agencies focusing on public safety, health care, and social services have been participating thus far, including DHCD. Some of the issues and programs tracked in DHCD's StateStat report include progress on:

- foreclosures;
- homeownership;
- special loans;
- multifamily housing;
- neighborhood revitalization; and
- credit assurance.

Select indicators tracked by DHCD are displayed in **Exhibit 8** and illustrate the variety of programs and outcomes that are closely scrutinized.

The agency should comment on the progress of its participation in StateStat and its use in effective decisionmaking.

Exhibit 8
Select StateStat Figures
Department of Housing and Community Development

	<u>December 2008</u>	<u>Fiscal Year-to-date</u>
Foreclosure Prevention Activities		
People Counseled	1,112	5,340
Bridge to Hope – Loans Closed	5	38
Homeownership		
MMP – Loans Purchased	191	1,397
DSELP Reservations	40	687
Special Loans		
Low-income Units Weatherized	116	467
Neighborhood Revitalization		
CSBG Dollars Leveraged	\$15,861,630	\$93,246,037
Multi-family Housing		
Total Housing Units Produced	445	1,674

CSBG: Community Services Block Grant Program
DSELP: Down Payment and Settlement Expense Loan Program
MMP: Maryland Mortgage Program

Source: Department of Housing and Community Development

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce general funds for grants in the Community Legacy Program. This reduction will help address the State's budgetary shortfall.	\$ 500,000	GF
Total General Fund Reductions	\$ 500,000	

Updates

1. Federal Housing and Economic Recovery Act of 2008

In July 2008, Congress passed the Housing and Economic Recovery Act of 2008 which included numerous funding provisions to help states address rising foreclosures. Significant financial resources were directed to Maryland to expand existing programs and initiatives. Resources for the State included:

- \$175.9 million incremental authority for Mortgage Revenue Bond funds in the Community Development Administration, allowing DHCD to refinance mortgages for struggling homeowners;
- \$47.0 million in Community Development Block Grant funds for the Neighborhood Stabilization Program, including \$27 million in fiscal 2009. This allows communities to redevelop abandoned and foreclosed homes in areas impacted by foreclosure. Acquired properties may be rehabilitated, demolished, or redeveloped;
- \$3.0 million (minimum) for the new federal Housing Trust Fund, 90% of which is dedicated to very low-income families;
- \$1.8 million for housing counseling agencies in Maryland, including \$500,000 for legal assistance;
- \$7,500 (maximum) First-time Homebuyer refundable tax credit repaid over 15 years; and
- \$1.1 million in additional federal Low-income Housing Tax Credits.

In addition to the resources above, federal funds were also awarded directly to local jurisdictions. The federal Department of Housing and Urban Development routinely awards grants to local public housing authorities through the programs listed above. Therefore, this list represents a portion of the total resources to the State.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Housing and Community Development (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2008					
Legislative Appropriation	\$3,383	\$28,260	\$186,698	\$985	\$219,326
Deficiency Appropriation	0	0	7,200	0	7,200
Budget Amendments	11	340	1,083	1,116	2,550
Cost Containment	-100	-86	-26	0	-212
Reversions and Cancellations	0	-1,752	-1,957	-78	-3,787
Actual Expenditures	\$3,294	\$26,762	\$192,998	\$2,023	\$225,077
Fiscal 2009					
Legislative Appropriation	\$3,157	\$28,944	\$211,308	\$985	\$244,394
Cost Containment	-233	-75	-55	0	-363
Budget Amendments	9	266	172	250	697
Working Appropriation	\$2,933	\$29,135	\$211,425	\$1,235	\$244,728

Note: Numbers may not sum to total due to rounding.

Fiscal 2008

DHCD finished fiscal 2008 with \$5.8 million above its legislative appropriation, primarily due to increases in federal funding for Section 8 Housing Assistance Payments and foreclosure intervention.

General Funds: Actual fiscal 2008 general fund expenditures were \$89,000 below the legislative appropriation. This is the net result of a \$11,000 cost-of-living adjustment (COLA) budgeted in the Department of Budget and Management (DBM) and a \$100,000 reduction for cost containment initiatives.

Special Funds: Actual fiscal 2008 special fund expenditures were \$1.5 million lower than the legislative appropriation. The appropriation increased \$240,513 for the COLA budgeted by DBM and \$100,000 for housing counseling funds granted to Montgomery County. There was also a \$86,075 decrease for a personnel reduction. Finally, there was a \$1.8 million cancellation mostly due to vacancies for regular staff and contractual FTEs and lowered contractual services due to the slowing housing market.

Federal Funds: Actual fiscal 2008 federal fund expenditures were \$6.3 million above the legislative appropriation. The federal fund appropriation increased by \$8.3 million as the result of (1) \$7.2 million in the Governor's supplemental budget for Housing Assistance Payments related to new Section 8 contracts; (2) \$901,697 in federal grants for foreclosure intervention and counseling; and (3) \$180,961 for a federal COLA. There was also a \$26,000 decrease for a personnel reduction. Finally, there was a \$2.0 million cancellation including \$1.0 million in Contract Administration and \$400,000 in the Weatherization Assistance Program for funding that did not materialize, as well as \$300,000 for the Community Development Block Grant Program.

Reimbursable Funds: The reimbursable fund appropriation increased by \$1.0 million due to a \$1.0 million transfer from the Maryland Affordable Housing Trust for foreclosure prevention activities and \$116,000 from the Department of Health and Mental Hygiene for the Bridge Subsidy Demonstration Project.

Fiscal 2009

DHCD's fiscal 2009 working appropriation is \$334,000 higher than the legislative appropriation. There were budget amendment increases of \$274,000 for annual salary review and a COLA budgeted by DBM. Additionally, DHCD received \$250,000 from the Maryland Energy Administration for its Weatherization Program. Those increases were offset by decreases totaling \$363,000 for cost containment initiatives. Fringe benefit appropriations were reduced as OPEB prefunding of \$5,327 was ceased and statewide employee health insurance balances of \$4,482 were used in lieu of budgeted funds.

**Object/Fund Difference Report
Department of Housing and Community Development**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	311.00	311.00	311.00	0	0%
02 Contractual	21.20	46.50	41.50	-5.00	-10.8%
Total Positions	332.20	357.50	352.50	-5.00	-1.4%
Objects					
01 Salaries and Wages	\$ 22,861,136	\$ 24,840,272	\$ 25,517,423	\$ 677,151	2.7%
02 Technical and Spec. Fees	1,187,121	2,464,326	2,101,648	-362,678	-14.7%
03 Communication	435,041	323,481	301,546	-21,935	-6.8%
04 Travel	294,772	289,728	291,500	1,772	0.6%
06 Fuel and Utilities	2,370	2,500	2,683	183	7.3%
07 Motor Vehicles	147,126	128,370	98,745	-29,625	-23.1%
08 Contractual Services	5,097,814	5,614,887	6,161,747	546,860	9.7%
09 Supplies and Materials	297,889	377,747	365,500	-12,247	-3.2%
10 Equipment – Replacement	303,969	179,837	151,405	-28,432	-15.8%
11 Equipment – Additional	349,411	87,071	0	-87,071	-100.0%
12 Grants, Subsidies, and Contributions	192,648,478	208,835,361	218,478,829	9,643,468	4.6%
13 Fixed Charges	1,451,806	1,584,234	1,899,789	315,555	19.9%
Total Objects	\$ 225,076,933	\$ 244,727,814	\$ 255,370,815	\$ 10,643,001	4.3%
Funds					
01 General Fund	\$ 3,294,336	\$ 2,932,884	\$ 2,772,992	-\$ 159,892	-5.5%
03 Special Fund	26,762,223	29,134,848	33,206,964	4,072,116	14.0%
05 Federal Fund	192,997,668	211,425,082	218,405,859	6,980,777	3.3%
09 Reimbursable Fund	2,022,706	1,235,000	985,000	-250,000	-20.2%
Total Funds	\$ 225,076,933	\$ 244,727,814	\$ 255,370,815	\$ 10,643,001	4.3%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary
Department of Housing and Community Development**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk. Approp.</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 Office of the Secretary	\$ 2,972,529	\$ 3,242,400	\$ 3,296,579	\$ 54,179	1.7%
02 Maryland Affordable Housing Trust	3,692,838	3,000,000	4,000,000	1,000,000	33.3%
03 Office of Management Services	2,022,853	2,408,648	2,396,233	-12,415	-0.5%
01 Maryland Housing Fund	564,824	628,404	627,287	-1,117	-0.2%
02 Asset Management	3,807,880	4,172,171	4,257,612	85,441	2.0%
03 Maryland Building Codes	629,239	696,259	758,269	62,010	8.9%
01 Neighborhood Revitalization	15,265,805	14,886,892	15,101,702	214,810	1.4%
01 Administration	2,458,393	2,831,374	2,819,432	-11,942	-0.4%
02 Housing Development Program	3,403,261	3,895,425	3,972,489	77,064	2.0%
03 Homeownership Programs	2,670,406	2,806,431	2,798,640	-7,791	-0.3%
04 Special Loan Programs	6,693,655	7,055,108	9,021,073	1,965,965	27.9%
05 Rental Services Programs	173,209,045	190,938,842	197,824,668	6,885,826	3.6%
01 Information Technology	2,694,054	2,740,183	2,771,739	31,556	1.2%
01 Finance and Administration	4,992,151	5,425,677	5,725,092	299,415	5.5%
Total Expenditures	\$ 225,076,933	\$ 244,727,814	\$ 255,370,815	\$ 10,643,001	4.3%
General Fund	\$ 3,294,336	\$ 2,932,884	\$ 2,772,992	-\$ 159,892	-5.5%
Special Fund	26,762,223	29,134,848	33,206,964	4,072,116	14.0%
Federal Fund	192,997,668	211,425,082	218,405,859	6,980,777	3.3%
Total Appropriations	\$ 223,054,227	\$ 243,492,814	\$ 254,385,815	\$ 10,893,001	4.5%
Reimbursable Fund	\$ 2,022,706	\$ 1,235,000	\$ 985,000	-\$ 250,000	-20.2%
Total Funds	\$ 225,076,933	\$ 244,727,814	\$ 255,370,815	\$ 10,643,001	4.3%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.