S00A
Department of Housing and Community Development

Operating Budget Data

($ in Thousands)

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change	% Change Prior Year
General Fund	$3,393	$4,546	$4,546	$0	
Adjustments	0	585	0	-585	
Adjusted General Fund	**$3,393**	**$5,131**	**$4,546**	**-$585**	**-11.4%**
Special Fund	66,019	84,534	75,758	-8,776	-10.4%
Adjustments	0	0	-99	-99	
Adjusted Special Fund	**$66,019**	**$84,534**	**$75,659**	**-$8,875**	**-10.5%**
Federal Fund	238,208	246,046	279,667	33,622	13.7%
Adjustments	0	0	-27	-27	
Adjusted Federal Fund	**$238,208**	**$246,046**	**$279,640**	**$33,594**	**13.7%**
Reimbursable Fund	1,741	2,165	2,165	0	
Adjusted Reimbursable Fund	**$1,741**	**$2,165**	**$2,165**	**$0**	**0.0%**
Adjusted Grand Total	**$309,362**	**$337,876**	**$362,010**	**$24,134**	**7.1%**

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The budget includes a fiscal 2017 deficiency appropriation of $585,000 in general funds for the Rental Allowance Program.
- The fiscal 2018 allowance grows by $24.1 million, or 7.1%, across all funds.
- Federal funds increase by $33.6 million, or 13.7%, largely due to an increase in Section 8 funding.

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

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Personnel Data

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change
Regular Positions	337.00	325.00	325.00	0.00
Contractual FTEs	52.70	102.50	104.50	2.00
Total Personnel	**389.70**	**427.50**	**429.50**	**2.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	19.60	6.03%
Positions and Percentage Vacant as of 12/31/16	24.00	7.38%

- While there is no difference in personnel between the fiscal 2017 working appropriation and the fiscal 2018 allowance, several changes occurred in fiscal 2017. The fiscal 2017 legislative appropriation included 339.0 regular positions. Of those, 9.0 were eliminated due to the Section 20 across-the-board reductions, and 5.0 were transferred to the Department of Information Technology, resulting in the 325.0 positions included in the fiscal 2018 allowance.

- Regular positions are unchanged in the fiscal 2018 allowance.

- Contractual full-time equivalents increase by 2.0.

- The fiscal 2018 allowance reduces the turnover rate from 7.0% to 6.03%, which would require the department to keep 19.6 positions vacant throughout the year. There were 24.0 vacancies as of December 31, 2016, for a vacancy rate of 7.38%.

Analysis in Brief

Major Trends

Homelessness Assistance Stays Level: The Department of Housing and Community Development (DHCD) provided assistance to nearly 7,000 people who were homeless or were at risk of homelessness in fiscal 2016, up from 5,774 in fiscal 2014, the first year that the department tracked this count. The department expects to maintain that level of assistance through fiscal 2018.

Department Meets Single-family Energy Efficiency Goal: Several energy efficiency programs are funded in the operating budget, such as the Weatherization Assistance Program and the Low-Income Energy Efficiency Program. After a spike in assistance in fiscal 2012 followed by a decline in fiscal 2013 due to a switch from federal funding to EmPOWER funding, the department met its goal in fiscal 2014 and 2015, and expects to continue to do so through fiscal 2017. However, funding is ending in fiscal 2018, leading to a sharp decline in assistance. **DHCD should comment on the potential for other funding sources for DHCD-run energy assistance programs.**

Issues

Public Service Commission Denies Funding for the Customer Investment Fund Energy Programs: In a January 2017 order, the Public Service Commission (PSC) denied disbursement of a portion of expected Customer Investment Fund (CIF) money due to concerns with DHCD's ability to spend program funds in a timely manner. PSC staff noted that at the close of fiscal 2016, DHCD had expended less than 27% of its previously disbursed funding for its multifamily program and 34% of its previously disbursed funding for the Targeted Enhanced Weatherization Program. PSC withheld the planned fiscal 2017 disbursement based on DHCD's significant amount of unspent prior disbursements available. Additionally, PSC reallocated approximately $4.6 million previously planned for DHCD to Baltimore City instead. **DHCD should comment on the loss of CIF funding and the reasons for its significant problems in its energy programs in recent years.**

Legislation Would Shift Homelessness Programs to DHCD: Legislation proposed by the Administration would shift homelessness programs from the Department of Human Resources to DHCD. The legislation would transfer the Interagency Council on Homelessness, the Bureau of Homeless Services, and the Homeless Women's Crisis Shelter program. Though not specifically identified in the legislation, the transfer is expected to include the Service-Linked Housing Program, the Housing Counselor Program, and the Emergency and Transitional Housing Services Program. **DHCD should comment on the impact of this move.**

Recommended Actions

1. Concur with Governor's allowance.

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. As shown in **Exhibit 1**, DHCD used more than $1.6 billion in revenue bonds, mortgage-backed securities, State and federal tax credits, and State and federal funds to finance or provide funding to projects and programs throughout the State. More than three-quarters of these funds are nonbudgeted revenue bonds, securities, or tax credits.

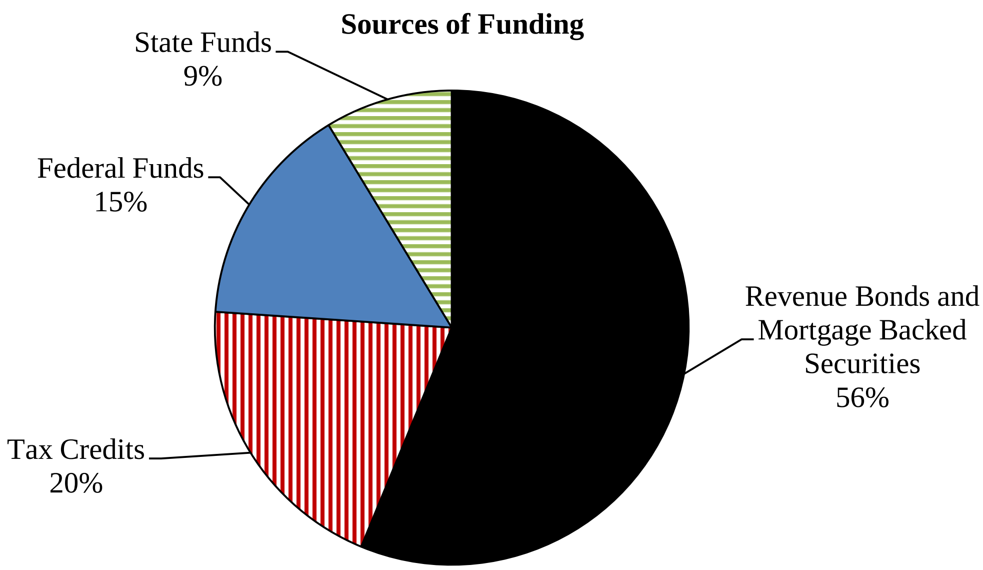
- ***Homeownership and Special Needs Housing:*** About $682.1 million, or 41.6%, of fiscal 2016 DHCD funding was used for homeownership and special needs housing programs. Those who meet certain income criteria can access loans with zero interest rates for down payment and settlement expenses to buy homes through programs like the Maryland Mortgage Program and the Down Payment and Settlement Expense Loan Program. Other single-family program activities support grants and loans for lead hazard reduction, indoor plumbing improvements, overall rehabilitation, and group home projects.

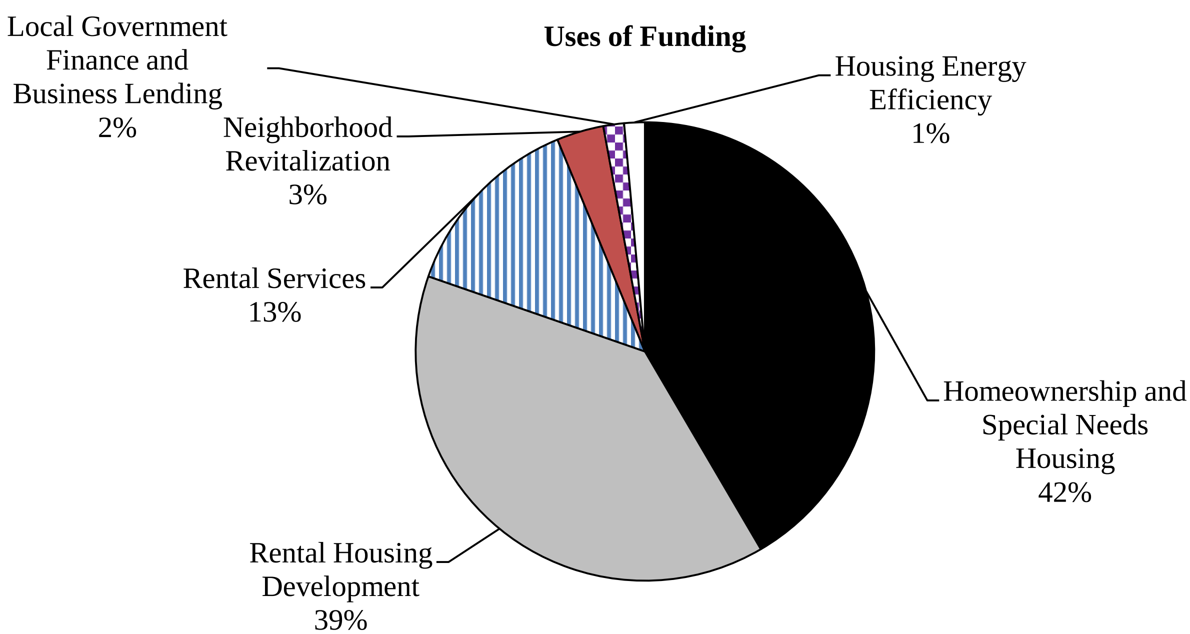
- ***Rental Housing Development:*** About $636.0 million, or 38.8%, of DHCD funding in fiscal 2016 was used for the development of affordable rental housing. Nonprofits and for-profit developers and owners may access tax credits and below-market rate loans to help finance multifamily housing projects serving low-income families; some loans are also available to local governments. Federal low-income housing tax credits 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 nonbudgeted proceeds of tax-exempt and taxable bonds.

- ***Rental Services:*** Rental housing support also includes administration of State and federal rental subsidy programs, including the federal Section 8 Performance Based Contract Administration and Housing Choice Voucher programs and the State Rental Allowance Program (RAP). Under these programs, DHCD provides rental assistance to low-income households through owners of covered units, local governments, or nonprofit subcontractors. DHCD used $220.8 million, or 13.5%, of its funding and financing for rental services programs in fiscal 2016.

- ***Neighborhood Revitalization:*** In fiscal 2016, about $54.5 million, or 3.3%, of the agency's expenditures were neighborhood revitalization-related activities. Local governments, community development nonprofits, and others involved in improving communities may access grants, below-market rate loans, and technical assistance and training. Funds are used for projects such as streetscape and facade improvements, recreational amenities, and improvement of public spaces. Other programs provide funding for small business start-ups and expansions, as well as demolition of derelict buildings, site acquisition, assembly, and development.

Exhibit 1
Sources and Uses of DHCD's Operating and Capital Budgets
Budgeted and Nonbudgeted Funds
Fiscal 2016 Total – $1,641.2 Million





DHCD: Department of Housing and Community Development

Source: Department of Housing and Community Development

- ***Local Government Finance and Business Lending:*** In fiscal 2016, about $24.0 million, or 1.5%, of the agency's financing was related to providing financing to small businesses through the Neighborhood Business Works program and the Local Government Infrastructure Finance Program.

- ***Housing Energy Efficiency:*** In fiscal 2016, about $23.8 million, or 1.5%, of the agency's financing was related to improving energy efficiency in housing. The two largest energy efficiency programs are the Low Income Energy Efficiency Program (LIEEP), which allows low-income households to install energy conservation materials in their homes at no charge, and the federally funded Energy Efficiency Community Block Grant program.

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

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

Performance Analysis: Managing for Results

1. Homelessness Assistance Stays Level

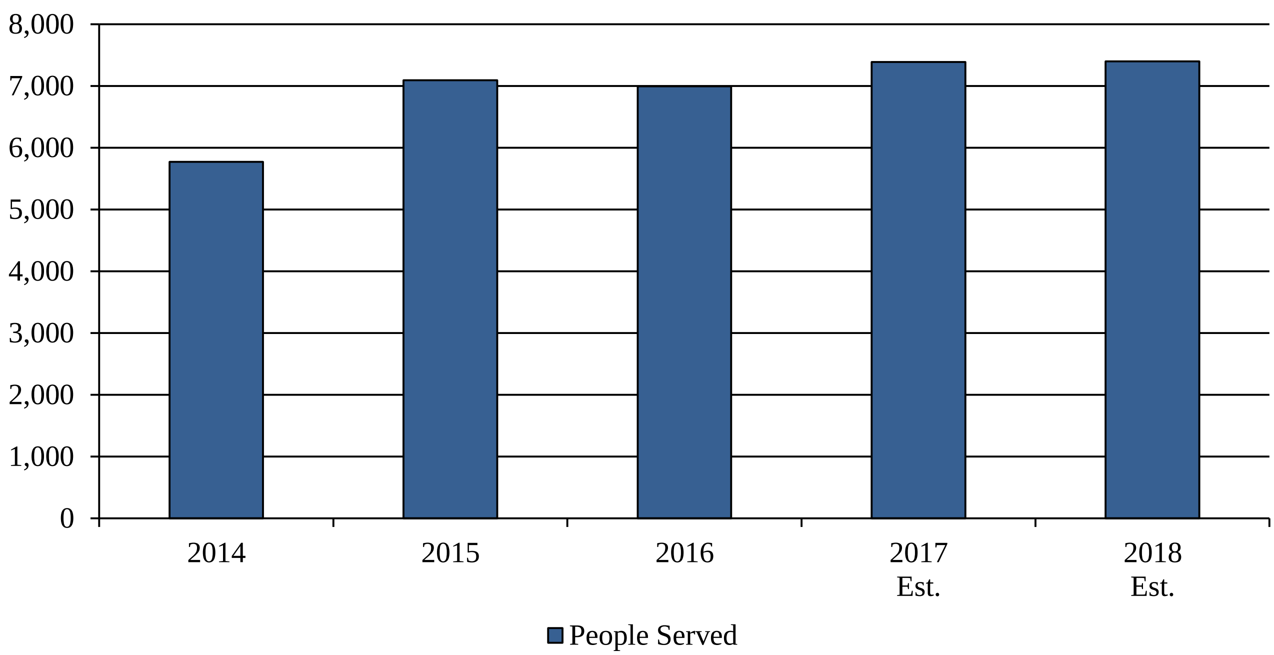
DHCD provides operating assistance to the State's homeless population via three programs. The Emergency Solutions Grant (ESG) program provides funds primarily for operating costs, case management and client services, and administrative costs for homeless shelters and transitional units. The funds mainly go to organizations in rural areas that are not eligible for funds directly from the U.S. Department of Housing and Urban Development (HUD). The fiscal 2018 allowance includes $1.7 million in general funds, $284,000 in special funds, and $1.0 million in federal funds for the ESG.

The RAP provides rental subsidies to people who are homeless or are in danger of becoming homeless; DHCD provides grants to local governments or community agencies that administer the program. The fiscal 2018 allowance includes $1.7 million in general funds for the RAP; in addition, there is a $585,000 deficiency appropriation for the RAP in fiscal 2017 targeted at residents of the Lynnhill Condominiums.

The Families First program is supported by an initial grant of $400,000 over three years from the Freddie Mac Foundation and matching State funds ($300,000 in the fiscal 2018 allowance). It is a pilot program launched in fiscal 2015 in Prince George's County that provides temporary rental assistance and other social services assistance to homeless veterans with families or veterans with families in danger of homelessness.

As shown in **Exhibit 2**, DHCD provided assistance to nearly 7,000 people who were homeless or were at risk of homelessness in fiscal 2016, up from 5,774 in fiscal 2014, the first year that the department tracked this count. The department expects to maintain that level of assistance through fiscal 2018.

Exhibit 2
Homeless or At-risk of Homelessness People Served
Fiscal 2014-2018 Est.



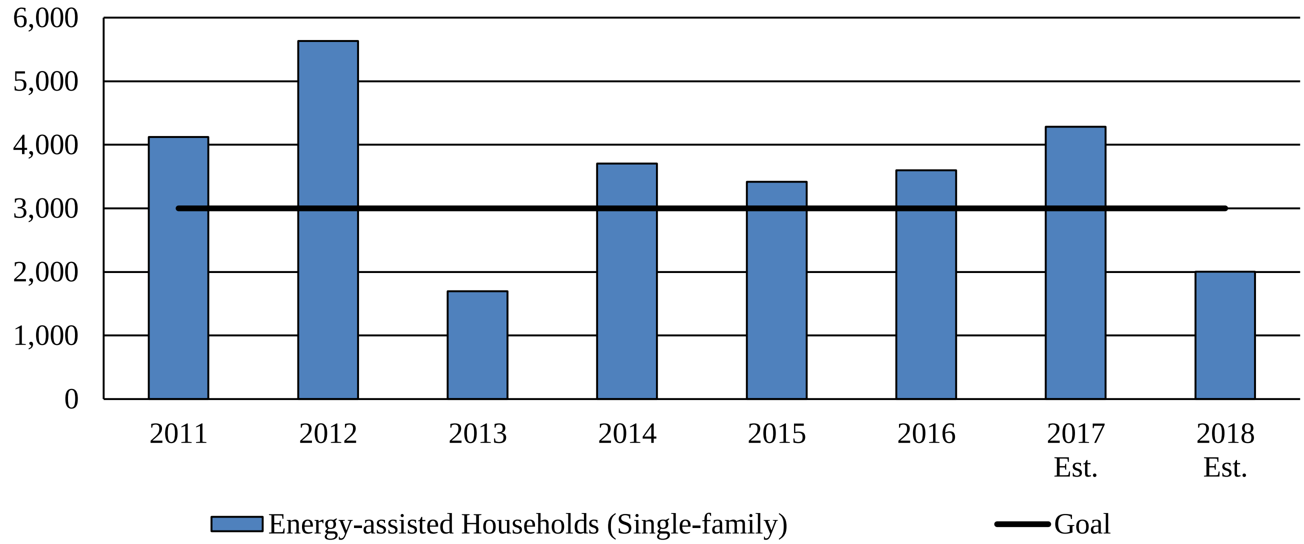
Source: Department of Budget and Management

2. Department Meets Single-family Energy Efficiency Goal

Several DHCD operating programs aim to improve the energy efficiency of the homes of single-family households with limited incomes. The department's goal is to assist 3,000 single-family homes with energy efficiency improvements annually through its various energy assistance programs.

The Department of Energy (DOE) funded Weatherization Assistance Program (WAP) and the EmPOWER-funded LIEEP provide assistance to low-income households for the installation of energy conservation materials, while funds from the Strategic Energy Investment Fund and the Low-Income Home Energy Assistance Program are also used for single-family energy efficiency improvement. As shown in **Exhibit 3**, after a spike in assistance in fiscal 2012 followed by a decline in fiscal 2013 due to a switch from federal funding to EmPOWER funding, the department met its goal in fiscal 2014 and 2015, and expects to continue to do so through fiscal 2017. However, both EmPOWER funding and Customer Investment Fund (CIF) funding are coming to an end, leading to a sharp decline in assistance in fiscal 2018. **DHCD should comment on the potential for other funding sources for DHCD-run energy assistance programs.**

Exhibit 3
Energy Assistance to Single-family Homes
Fiscal 2011-2018 Est.



Source: Department of Budget and Management

Fiscal 2017 Actions

Proposed Deficiency

The Governor's allowance includes a deficiency appropriation of $585,000 in general funds in fiscal 2017 for residents of the Lynnhill Condominiums. In October, Pepco disconnected utility services due to the condominium board's unpaid bills. The building was later determined to be unfit for habitation, and residents were forced to leave. Many residents had little to no resources needed to relocate. Using the deficiency appropriation in the RAP, the department will be able to provide an estimated three months of rental assistance for approximately 130 affected families.

Section 20 Position Abolitions

The fiscal 2017 budget's Section 20 included statewide position abolitions and related funding reductions. DHCD's share of these reductions was 9 positions and $300,000 in special funds.

Positions Transferred

In fiscal 2017, 5 positions were transferred from DHCD to the Department of Information Technology. However, the funding for those positions, approximately $327,000, has not yet been moved.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2018 allowance increases by $24.1 million, or 7.1%, with federal funds increasing by $33.6 million, or 13.7%.

Exhibit 4
Proposed Budget
Department of Housing and Community Development
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016 Actual	$3,393	$66,019	$238,208	$1,741	$309,362
Fiscal 2017 Working Appropriation	5,131	84,534	246,046	2,165	337,876
Fiscal 2018 Allowance	4,546	75,659	279,640	2,165	362,010
Fiscal 2017-2018 Amount Change	-$585	-$8,875	$33,594	$0	$24,134
Fiscal 2017-2018 Percent Change	-11.4%	-10.5%	13.7%		7.1%

Where It Goes:

Personnel Expenses

Reclassification	$675
Employees' retirement system net of sweeper reduction	443
Turnover adjustments	304
Employee and retiree health insurance	155
Unemployment compensation and Workers' Compensation premium assessment	6
Social Security contributions	-47

Where It Goes:	
Administration of Ellicott City emergency funds	-188
Increments and other compensation	-588
Other Changes	
Section 8 grants	30,076
Major information technology (IT) project contractual services	750
IT systems support to be performed by the Department of Information Technology	380
Cambridge office relocation costs	95
Shuttle bus service for the department headquarters	72
Decrease in available Regional Greenhouse Gas Initiative funding	-500
Rental Allowance Program deficiency appropriation	-585
End of EmPOWER and Customer Investment Fund programs	-7,236
Other	322
Total	**$24,134**

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is $98,923 in special funds and $27,455 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act (BRFA) of 2017.

Contract Administration

The largest change in DHCD's fiscal 2018 allowance is a $30.1 million increase in federal funds for Section 8 asset and contract management. DHCD performs services for HUD across Maryland, such as conducting management and occupancy reviews, adjusting contract rents, and making monthly housing assistance payments to project owners. The amount paid to DHCD by HUD for performing these services is based on the number of properties in the program as well as the fair market rent in each jurisdiction. Recent increases in the privatization of previously public housing has subsequently increased the amount of housing units in the program, leading to the significant increase in this program's allowance in fiscal 2018.

Recent court decisions have raised the possibility of HUD rebidding the contract for these services in Maryland (and elsewhere nationally); however, there is not yet a clear timeline for when a rebidding of the contract would happen. **DHCD should comment on the impact of losing the contract if HUD awards it to another entity.**

Personnel Changes

Personnel costs for permanent employees at DHCD increase by $760,145 in fiscal 2018 compared to the fiscal 2017 working appropriation. The fiscal 2018 allowance includes $675,000 for salary reclassification to account for the additional salary costs of hiring employees in the Washington metropolitan job market.

The fiscal 2017 working appropriation includes a one-time amount of $187,500 in special funds for miscellaneous adjustments. The money is the administrative fee DHCD received when funds from the Small, Minority, and Women-Owned Business Fund (SMWOBF) were transferred to DHCD for emergency assistance for flooding victims in Ellicott City. (This effort is discussed in greater detail in the capital budget analysis for DHCD.) As these funds are budgeted as a miscellaneous adjustment, and fiscal 2017 personnel costs are fully funded, it appears the funds are improperly budgeted. **The Department of Legislative Services (DLS) recommends adding a provision to the BRFA of 2017 that would withdraw $187,500 in special funds from the fiscal 2017 DHCD budget and return that amount to the SMWOBF.**

The BRFA of 2017

The BRFA of 2017 contains a provision that would authorize the transfer of $1.0 million from the Housing Counseling and Foreclosure Mediation Fund to DHCD for administrative expenses. The fund is restricted to be used only to support the assistance of homeowners trying to avoid foreclosure or manage foreclosure proceedings, homebuyer education and financial counseling, and support nonprofit housing counseling agencies. The BRFA of 2015 authorized a $2.4 million transfer from this fund to replace general funds to pay one-time headquarters moving costs. **DLS will recommend against approving this transfer in the DLS analysis of the BRFA of 2017.**

Issues

1. Public Service Commission Denies Funding for the Customer Investment Fund Energy Programs

The CIF was created with payments made as a condition of the merger between the Exelon Corporation and the Constellation Energy Group. The payment of approximately $113.6 million is administered by the Public Service Commission (PSC) and has been allocated to several jurisdictions and agencies, including an originally planned allocation of $28.0 million to DHCD. The funds are used at DHCD for energy efficiency programs that are targeted at people who do not meet eligibility requirements for other similar programs, such as those funded by EmPOWER Maryland. The CIF has both a single-family component called the Targeted Enhanced Weatherization Program (TEWP), which is funded in the operating budget, and a multifamily component, which is funded in the capital budget. The single-family program targets individuals in homes with health and safety issues that prevent participation in the EmPOWER-funded programs.

In a January 2017 order, PSC denied disbursement of a portion of the expected funds due to concerns with DHCD's ability to spend program funds in a timely manner. PSC staff noted that at the close of fiscal 2016, DHCD had expended less than 27% of its previously disbursed funding for its multifamily program, and 34% of its previously disbursed funding for TEWP.

Based on these concerns (as well as related concerns with the multifamily program) PSC withheld the planned fiscal 2017 disbursement based on DHCD's significant amount of unspent prior disbursements available. Additionally, PSC reallocated approximately $4.6 million previously planned for DHCD to Baltimore City instead. PSC also made the funds scheduled to be disbursed to DHCD in fiscal 2018 – approximately $3.7 million – conditional on DHCD maintaining geographic diversity of program expenditures, obtaining a fiscal 2018 appropriation for the funds, and reporting on and fully expending the backlog of CIF funds.

DHCD noted several reasons for the slow pace of its CIF-funded single-family program.

- In TEWP, the department initially hired only five contractors, which proved to be too few. DHCD subsequently did another procurement but lost paperwork after responses were received. DHCD is currently evaluating responses on a third procurement.

- The department noted training of the contractors took much longer than anticipated – six months rather than the expected three months.

- At program launch, contractors for EmPOWER-funded energy programs were not consistently referring potential clients to the CIF programs. After a change, referrals went from 5 to 10 per month to 10 to 20 per month.

- Higher than normal turnover in management led to delays in program implementation.

- Finally, the initial program requirements limited improvements to a maximum of $15,000 for health and safety expenses, which proved to be too low, leading to a large share of potential participants being excluded from the program. PSC later revised the maximum amount per household to $30,000.

Other Recent Energy Program Problems

PSC staff has previously raised issues with the slow progress in EmPOWER-funded programs, although PSC has not withheld any funds. A July 2015 DOE audit of the DOE-funded WAP found unethical and improper accounting practices by two weatherization agencies, as well as serious shortcomings in the DHCD oversight of the program. **DHCD should comment on the loss of CIF funding and the reasons for its significant problems in its energy programs in recent years.**

2. Legislation Would Shift Homelessness Programs to DHCD

Legislation (HB 134) proposed by the Administration would shift homelessness programs from the Department of Human Resources (DHR) to DHCD. The Office of Grants Management at DHR currently houses a number of emergency food and shelter programs, along with grants to individual organizations. The legislation would transfer the Interagency Council on Homelessness, the Bureau of Homeless Services, and the Homeless Women's Crisis Shelter program. Though not specifically identified in the legislation, the transfer is expected to include the Service-Linked Housing Program, the Housing Counselor Program, and the Emergency and Transitional Housing Services Program. All employees associated with the Bureau of Homeless Services are expected to be transferred as well.

The fiscal 2018 budget bill maintains the funding for these programs and positions in DHR's budget. The funds and positions would be transferred on the effective date of the Act (July 1, 2017). The fiscal 2018 allowance for the transferred grant programs totals $4.6 million. In addition, DHR anticipates transferring 4 positions and associated funding ($378,533) to DHCD. **DHCD should comment on the impact of this move.**

Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Current and Prior Year Budgets
Department of Housing and Community Development
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016					
Legislative Appropriation	$3,423	$73,351	$245,221	$2,165	$324,160
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	9,090	114	0	9,204
Reversions and Cancellations	-30	-16,422	-7,127	-424	-24,002
Actual Expenditures	**$3,393**	**$66,019**	**$238,208**	**$1,741**	**$309,362**
Fiscal 2017					
Legislative Appropriation	$4,546	$88,369	$245,880	$2,165	$340,960
Cost Containment	0	0	0	0	0
Budget Amendments	0	-3,834	166	0	-3,669
Working Appropriation	**$4,546**	**$84,534**	**$246,046**	**$2,165**	**$337,291**

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The Department of Housing and Community Development (DHCD) finished fiscal 2016 approximately $14.8 million below its legislative appropriation.

General Funds

The general fund appropriation was reduced by $30,000 in unspent funds out of the original $3.4 million appropriation.

Special Funds

The special fund appropriation decreased by $7.3 million compared to the legislative appropriation. Amendments increased the appropriation by $9.1 million. The amendments were:

- a $410,000 increase for a 2% statewide salary schedule adjustment;
- an $8.0 million increase from EmPOWER Maryland for various energy efficiency programs. The fiscal 2016 allowance included these funds, but as the Public Service Commission (PSC) had not yet awarded the funds, the legislature deleted them from the budget and authorized the Governor to process an amendment to restore the appropriation after being awarded by PSC. PSC awarded the funds in May 2015;
- a $2.4 million increase from the Maryland Housing Counseling Fund, to replace a $2.4 million general fund budget reduction contingent on the enactment of Chapter 489 of 2015 (the Budget Reconciliation and Financing Act (BRFA)). Approval for the transfer from the Maryland Housing Counseling Fund was included in the BRFA of 2015;
- an $80,000 increase from the General Bond Reserve fund to backfill half of the 2% across-the-board general fund reduction included in the fiscal 2016 budget. The funds were used in the Emergency Solution Grants program; and
- a $1.8 million decrease for a shift in funds from grant appropriations in the operating budget to the capital budget for the agency's Net Zero Housing Construction program.

DHCD canceled $16.4 million in special funds for the following reasons:

- $11.8 million was canceled due to lower than anticipated expenses in energy efficiency programs. The continued slow ramp up in the Low-Income Energy Efficiency Program, combined with delayed vendor approvals by PSC accounted for approximately $6.5 million of this amount, while programs funded by the Customer Investment Fund had lower than expected volumes, resulted in $5.3 million lower than anticipated expenses;

- in the Division of Neighborhood Revitalization, DHCD canceled $1.3 million in special funds primarily due to delays in the receipt of grant documents from a grantee and delays in funding decisions at the State and local level. In addition, some contractual services expenses were lower than anticipated;

- lower than anticipated expenses on computer software and hardware and software maintenance led to the cancellation of $678,831;

- DHCD canceled $455,138 in the Maryland Affordable Housing Trust program due to lower than anticipated revenues; and

- another $2.2 million in special funds was canceled for various reasons, primarily lower contractual services expenses and lower personnel costs due to vacancies.

Federal Funds

The federal fund appropriation decreased by $7.0 million compared to the legislative appropriation. Amendments increased the appropriation by $114,000 for a 2% statewide salary schedule adjustment.

DHCD canceled $7.1 million in federal funds for the following reasons:

- DHCD canceled $3.2 million due to lower than anticipated Section 8 program rental costs and lower expenses related to contract administration. Rental Housing Grant activity in the Section 8 program also was lower than anticipated;

- delays in the Department of Energy-funded Weatherization Assistance Program led to the cancellation of $2.7 million; and

- another $1.2 million was canceled for various reasons, including lower than anticipated contractual services costs and personnel savings due to vacancies.

Reimbursable Funds

Reimbursable funds were $423,542 lower than the legislative appropriation due to a cancellation. The Bridge Subsidy program required a new Memorandum of Understanding (MOU) between the Department of Health and Mental Hygiene and DHCD, which was finalized in June 2016. Due to the timing of the MOU, DHCD did not utilize all of the reimbursable fund appropriation in fiscal 2016.

Fiscal 2017

The fiscal 2017 legislative appropriation decreases by $3.8 million in special funds and increases by $165,854 in federal funds.

Changes included the following:

- a $373,387 increase in special funds and a $119,905 increase in federal funds for salary increments;
- a $229,748 increase in special funds and a $45,949 increase in federal funds for the annual salary review;
- a $187,500 increase in special funds for administrative expenses related to the transfer of funds from the Small, Minority, and Women-Owned Business Investment Account for Ellicott City flood relief efforts; and
- a decrease of $4,625,000 in special funds to shift funding for various energy efficiency programs from the operating budget to the capital budget.

Appendix 2
Major Information Technology Projects
Department of Housing and Community Development
Single Family and Financial Management System

Project Status	Implementation.	**New/Ongoing Project:**	New.
Project Description:	Modernization of software used for management and administration of single-family and financial management programs.		
Project Business Goals:	Originate and underwrite single-family lending in coordination with lending partners; fulfill cash management and debt service obligations; monitor billings and loan balances; manage loan delinquencies.		
Estimated Total Project Cost:	$2,850,000	**Estimated Planning Project Cost:**	$200,000
Project Start Date:	April 2015.	**Projected Completion Date:**	January 2019.
Schedule Status:	Currently in design phase.		
Cost Status:	n/a.		
Scope Status:	The scope is a commercial software system that can effectively administer the department's single-family mortgage loan and down payment assistance programs in the Community Development Administration.		
Project Management Oversight Status:	The Department of Information Technology has approved the information technology request.		
Identifiable Risks:	The largest risk, noted as medium, is the likely difficult transition period from the current, decades-old software to the new software. Data conversion and migration will be difficult, and current users may be resistant to shifting to a new system.		
Additional Comments:	n/a.		

Fiscal Year Funding ($ in Thousands)	**Prior Years**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**Balance to Complete**	**Total**
Personnel Services	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Professional and Outside Services	0.0	1,050.0	1,050.0	750.0	0.0	0.0	2,850.0	2,850.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	**$0.0**	**$1,050.0**	**$1,050.0**	**$750.0**	**$0.0**	**$0.0**	**$2,850.0**	**$2,850.0**

Appendix 3
Object/Fund Difference Report
Department of Housing and Community Development

Object/Fund	FY 16 Actual	FY 17 Working Appropriation	FY 18 Allowance	FY 17 - FY 18 Amount Change	Percent Change
Positions					
01 Regular	337.00	325.00	325.00	0.00	0%
02 Contractual	52.70	102.50	104.50	2.00	2.0%
Total Positions	**389.70**	**427.50**	**429.50**	**2.00**	**0.5%**
Objects					
01 Salaries and Wages	$ 32,310,630	$ 32,961,481	$ 33,848,004	$ 886,523	2.7%
02 Technical and Spec. Fees	3,197,483	4,610,358	4,688,344	77,986	1.7%
03 Communication	249,806	294,166	279,357	-14,809	-5.0%
04 Travel	252,930	365,220	358,020	-7,200	-2.0%
06 Fuel and Utilities	21,148	200,000	200,000	0	0%
07 Motor Vehicles	320,546	153,599	210,468	56,869	37.0%
08 Contractual Services	23,411,447	32,544,073	27,739,516	-4,804,557	-14.8%
09 Supplies and Materials	277,831	335,200	329,450	-5,750	-1.7%
10 Equipment – Replacement	271,322	437,009	531,839	94,830	21.7%
11 Equipment – Additional	75,287	25,000	25,000	0	0%
12 Grants, Subsidies, and Contributions	244,437,590	260,653,690	289,213,167	28,559,477	11.0%
13 Fixed Charges	4,535,839	4,711,392	4,713,700	2,308	0%
Total Objects	**$ 309,361,859**	**$ 337,291,188**	**$ 362,136,865**	**$ 24,845,677**	**7.4%**
Funds					
01 General Fund	$ 3,393,057	$ 4,546,000	$ 4,546,000	$ 0	0%
03 Special Fund	66,019,315	84,534,452	75,758,413	-8,776,039	-10.4%
05 Federal Fund	238,208,029	246,045,736	279,667,452	33,621,716	13.7%
09 Reimbursable Fund	1,741,458	2,165,000	2,165,000	0	0%
Total Funds	**$ 309,361,859**	**$ 337,291,188**	**$ 362,136,865**	**$ 24,845,677**	**7.4%**

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Fiscal Summary
Department of Housing and Community Development

Program/Unit	FY 16 Actual	FY 17 Wrk Approp	FY 18 Allowance	Change	FY 17 - FY 18 % Change
20 Office of the Secretary	$ 6,690,143	$ 7,848,517	$ 8,621,926	$ 773,409	9.9%
22 Division of Credit Assurance	6,825,587	7,675,296	7,724,026	48,730	0.6%
24 Division of Neighborhood Revitalization	27,561,466	28,942,825	29,011,307	68,482	0.2%
25 Division of Development Finance	254,973,476	278,602,640	301,525,271	22,922,631	8.2%
26 Division of Information Technology	3,297,490	3,986,983	4,672,788	685,805	17.2%
27 Division of Finance and Administration	10,013,697	10,234,927	10,581,547	346,620	3.4%
Total Expenditures	**$ 309,361,859**	**$ 337,291,188**	**$ 362,136,865**	**$ 24,845,677**	**7.4%**
General Fund	$ 3,393,057	$ 4,546,000	$ 4,546,000	$ 0	0%
Special Fund	66,019,315	84,534,452	75,758,413	-8,776,039	-10.4%
Federal Fund	238,208,029	246,045,736	279,667,452	33,621,716	13.7%
Total Appropriations	**$ 307,620,401**	**$ 335,126,188**	**$ 359,971,865**	**$ 24,845,677**	**7.4%**
Reimbursable Fund	$ 1,741,458	$ 2,165,000	$ 2,165,000	$ 0	0%
Total Funds	**$ 309,361,859**	**$ 337,291,188**	**$ 362,136,865**	**$ 24,845,677**	**7.4%**

Note: Does not include targeted reversions, deficiencies, and contingent reductions.