

S00A
Department of Housing and Community Development

Operating Budget Data

(\$ in Thousands)

	FY 17 Actual	FY 18 Working	FY 19 Allowance	FY 18-19 Change	% Change Prior Year
General Fund	\$4,655	\$9,767	\$11,691	\$1,924	19.7%
Adjustments	0	-5	4	9	
Adjusted General Fund	\$4,655	\$9,762	\$11,694	\$1,932	19.8%
Special Fund	77,660	75,659	69,209	-6,451	-8.5%
Adjustments	0	93	221	128	
Adjusted Special Fund	\$77,660	\$75,753	\$69,430	-\$6,323	-8.3%
Federal Fund	252,997	279,640	279,452	-188	-0.1%
Adjustments	0	-86	60	146	
Adjusted Federal Fund	\$252,997	\$279,554	\$279,512	-\$42	0.0%
Reimbursable Fund	3,223	2,165	4,085	1,920	88.7%
Adjusted Reimbursable Fund	\$3,223	\$2,165	\$4,085	\$1,920	88.7%
Adjusted Grand Total	\$338,534	\$367,234	\$364,721	-\$2,513	-0.7%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 budget includes a fiscal 2018 deficiency appropriation of \$415,606 in special funds from the Strategic Energy Investment Fund for weatherization projects.
- The adjusted fiscal 2019 allowance for the Department of Housing and Community Development (DHCD) decreases by \$2.5 million, or 0.7%, across all funds compared to the adjusted fiscal 2018 working appropriation.

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

For further information contact: Jason A. Kramer

Phone: (410) 946-5530

Personnel Data

	FY 17 Actual	FY 18 Working	FY 19 Allowance	FY 18-19 Change
Regular Positions	324.00	333.00	333.00	0.00
Contractual FTEs	63.70	96.40	96.40	0.00
Total Personnel	387.70	429.40	429.40	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	19.91	5.98%
Positions and Percentage Vacant as of 12/31/17	27.00	8.11%

- The fiscal 2019 allowance includes 333.0 positions, unchanged from the fiscal 2018 working allowance. However, fiscal 2017 closed with 324.0 positions. The 9.0 new positions include 4 transferred from the Department of Human Services (DHS) with the transfer of homelessness programs and 5 that were transferred to the Department of Information Technology and subsequently returned to DHCD.
- Contractual full-time equivalents are unchanged at 96.4.
- The fiscal 2019 allowance reduces the turnover rate from 6.03% to 5.98%, which would require the department to keep 19.91 positions vacant throughout the year. There were 27.00 vacancies as of December 31, 2017, for a vacancy rate of 8.11%.

Analysis in Brief

Major Trends

Department of Human Services Homelessness Programs Move to DHCD: Chapter 105 of 2017 transferred the Bureau of Homeless Services from DHS to DHCD on July 1, 2017. This resulted in the transfer of 4 positions and \$5.2 million in general funds for personnel costs, contractual services, and grants from DHS to DHCD. The move consolidates almost all of the State’s homeless services programs at DHCD. **DHCD should comment on the status of the move of the programs from DHS and how the move has impacted the provision of services.**

Department Continues to Meet Single-family Energy Efficiency Goal: For the second straight year, DHCD increased the number of households assisted through its single-family energy efficiency programs – from 3,602 in fiscal 2016 to 4,251 in fiscal 2017 – and the department continues to meet its goal. However, the department will see a significant decline in funding for energy programs.

Issues

DHCD to Designate Opportunity Zones: In the federal Tax Cut and Jobs Act passed on December 22, 2017, a new incentive program was passed to encourage investment in certain distressed areas in each state. The legislation provides that the governor of each state is to identify up to 25% of eligible census tracts as qualified opportunity zones subject to approval by the U.S. Secretary of the Treasury. DHCD has advised that it is currently meeting with community development groups and other interested parties as well as mapping out the census tracts in the State in anticipation of making a designation. **DHCD should comment on its process to date for designating Qualified Opportunity Zones.**

Operating Budget Recommended Actions

	Funds
1. Restrict funds pending a report on the rural broadband program.	
2. Reduce funding for the rural broadband program.	\$ 1,000,000
Total Reductions	\$ 1,000,000

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S00A
Department of Housing and Community Development

Operating Budget Analysis

Program Description

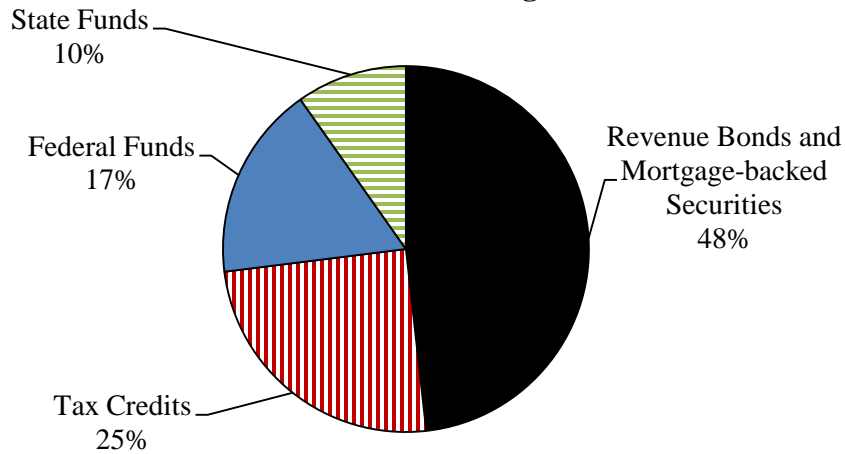
The mission of the Department of Housing and Community Development (DHCD) is to work with partners to finance housing opportunities and revitalize great places for Maryland citizens to live, work, and prosper. As shown in **Exhibit 1**, in fiscal 2017 DHCD used more than \$1.5 billion in revenue bonds, 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. Nearly three-quarters of these funds are nonbudgeted revenue bonds, securities, or tax credits.

- ***Rental Housing Development:*** About \$717.6 million, or 47.7%, of DHCD funding in fiscal 2017 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.
- ***Homeownership and Special Needs Housing:*** About \$425.3 million, or 28.3%, of fiscal 2017 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 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. Under these programs, DHCD provides rental assistance to low-income households through owners of covered units, local governments, or nonprofit subcontractors, and monitors facilities across the State for compliance with Section 8 requirements under a contract with the U.S. Department of Housing and Urban Development (HUD). DHCD used \$234.8 million, or 15.6%, of its funding and financing for rental services programs in fiscal 2017.
- ***Neighborhood Revitalization:*** In fiscal 2017, about \$60.0 million, or 4.0%, 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 startups and expansions, as well as demolition of derelict buildings, site acquisition, assembly, and development.

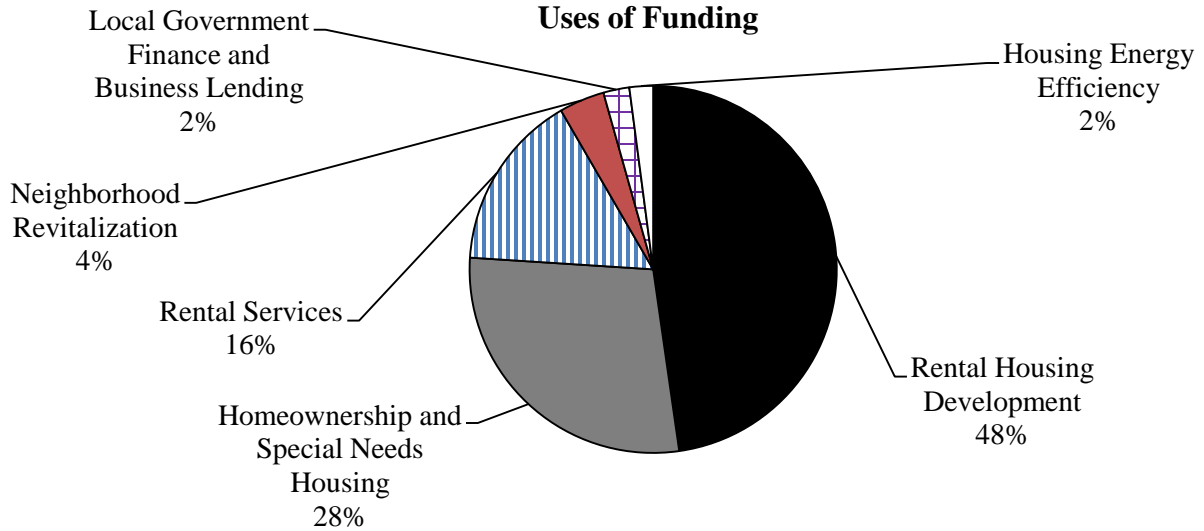
Exhibit 1
Sources and Uses of DHCD’s Operating and Capital Budgets
Budgeted and Nonbudgeted Funds
Fiscal 2017

Total – \$1,503.4 Million

Sources of Funding



Uses of Funding



DHCD: Department of Housing and Community Development

Source: Department of Housing and Community Development

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- ***Local Government Finance and Business Lending:*** In fiscal 2017, about \$34.5 million, or 2.3%, of the agency’s financing was related to providing financing to small businesses through the Neighborhood BusinessWorks program and the Local Government Infrastructure Finance Program.
- ***Housing Energy Efficiency:*** In fiscal 2017, about \$31.2 million, or 2.1%, 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. Department of Human Services Homelessness Programs Move to DHCD

Chapter 105 of 2017 transferred the Bureau of Homeless Services from the Department of Human Services (DHS) to DHCD on July 1, 2017. This resulted in the transfer of \$5.2 million in general funds associated with 4 positions as well as for contractual services and grants from DHS to DHCD. The move consolidates almost all of the State’s homeless services programs at DHCD.

Exhibit 2 shows the programs now housed at DHCD, whether the programs moved from DHS, and their funding in the fiscal 2019 allowance. Total fiscal 2019 funding for DHCD homeless programs, including personnel costs, is \$10.2 million in the operating allowance and \$3.0 million in the capital allowance. With the exception of \$1.0 million in federal funds and \$388,363 in special funds for the Emergency Solutions Grant Program and \$150,000 in special funds for the Families First program, the remainder of the homelessness programs are funded with general funds. DHCD homeless services programs now include:

- ***Emergency Solutions Grant Program:*** Federally funded program – with a State match – that supports emergency shelter operations, street outreach, rapid rehousing, and prevention.

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- ***Rental Allowance Program:*** The Rental Allowance Program provides grants to local governments to provide rental assistance to households experiencing homelessness or at risk of homelessness.
- ***Families First Program:*** Pilot program in Prince George’s County to rapidly rehouse veterans with children.
- ***Youth Reach Out, Engage, Assist, and Counter to End Homelessness Count:*** Pilot program to develop best practices for determining the number of homeless unaccompanied youth and young adults.
- ***Emergency and Transitional Housing and Services Program:*** Provides funding to 24 local administering agencies (LAA) to support operations and eviction prevention.
- ***Homeless Women – Crisis Shelter Home Program:*** Provides funding to 13 LAAs for operations of family or domestic violence shelters.
- ***Housing Counselor Program (Housing Navigator Program):*** Grant to five counties to pay for a staff position to assist people moving out of emergency shelter.
- ***Service-Linked Housing Program:*** Grant to pay for 13 staff positions to assist previously homeless families maintain permanent housing.
- ***Maryland Interagency Council on Homelessness:*** The Interagency Council on Homelessness coordinates State policy and working relationships among State, local, and nonprofit agencies working to prevent homelessness.
- ***Shelter and Transitional Housing Facilities Grant Program (Funded with General Obligation Bonds in the Capital Budget):*** Provides financing to nonprofits and local governments for construction, acquisition, and rehabilitation of housing for households experiencing homelessness.

Exhibit 2
Homelessness Services at the
Department of Housing and Community Development
Fiscal 2019 Allowance

Program	2019 Allowance
Originally in the Department of Housing and Community Development	
Emergency Solutions Grant Program	\$2,943,000
Rental Allowance Program	1,700,000
Youth REACH Count	200,000
Families First Program	150,000
Moved from the Department of Human Services	
Emergency and Transitional Housing and Services Program	\$2,817,061
Homeless Women – Crisis Shelter Home Program	1,173,786
Service-Linked Housing Program	550,000
Housing Counselor Program	258,414
Total	\$9,792,261

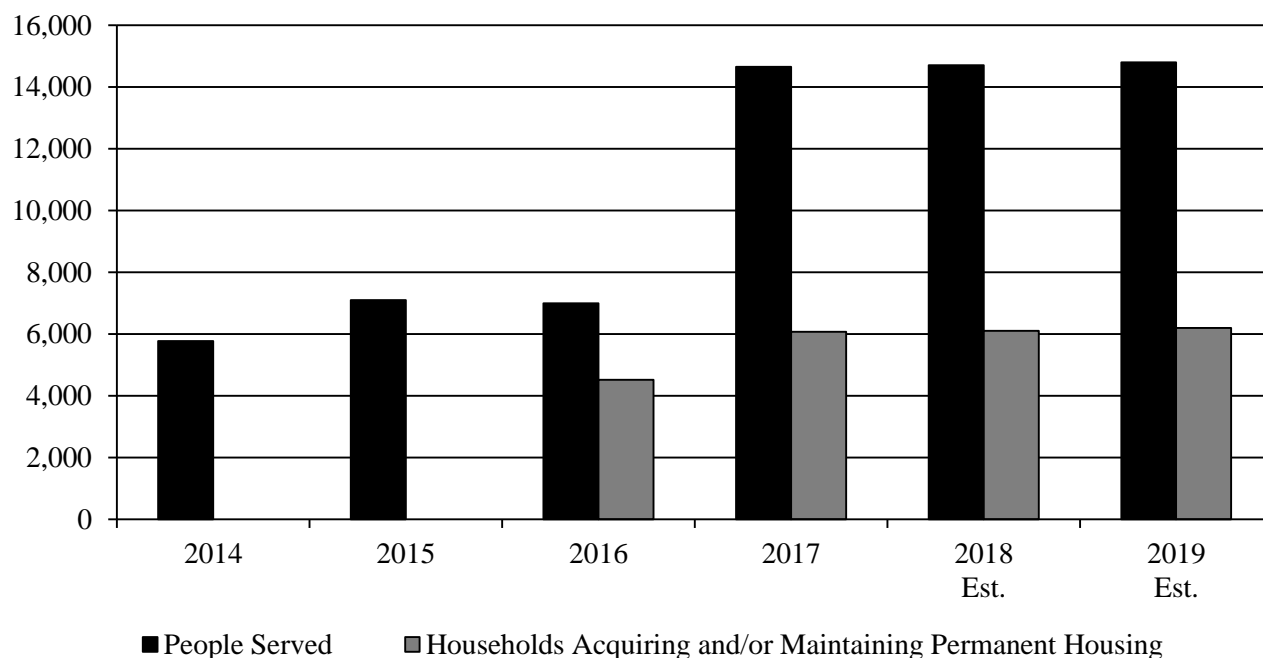
REACH: Reach out, engage, assist, and counter to end homelessness

Source: Department of Legislative Services

The next step is the required evaluation of the homeless services programs. The legislation establishing the program’s move created the Bureau of Homeless Services Transition Team, which met for the first time in November 2017. The bureau is required to provide a final report on the impact of the transfer to the Joint Committee on Ending Homelessness in December 2018.

As shown in **Exhibit 3**, DHCD provided assistance to nearly 15,000 people who were homeless or were at risk of homelessness in fiscal 2017. The Managing for Results data includes efforts for the homelessness programs that were at DHS in fiscal 2017 prior to the merge but not in fiscal 2016 or earlier. The department expects to maintain that level of assistance through fiscal 2019.

Exhibit 3
Homeless or At-risk of Homelessness People Served
Fiscal 2014-2019 Est.



Source: Department of Budget and Management

DHCD should comment on the status of the move of the programs from DHS and how the move has impacted the provision of services.

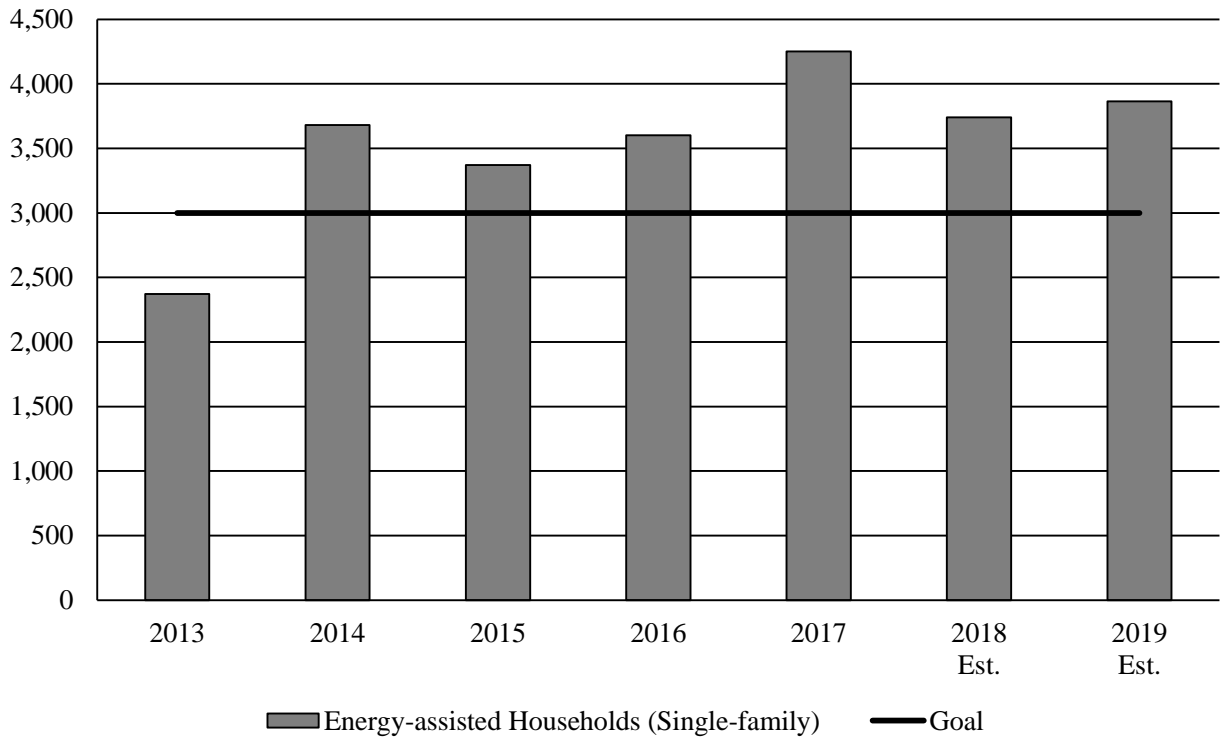
2. Department Continues to Meet Single-family Energy Efficiency Goal

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 U.S. Department of Energy-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 (SEIF) and the Low-Income Home Energy Assistance Program are also used for single-family energy efficiency improvement. As shown in **Exhibit 4**, for the second straight year, DHCD increased the number of households assisted – from 3,602 in fiscal 2016 to 4,251 in fiscal 2017 – and the department continues

to meet its goal. However, the department will see a significant decline in funding for energy programs, which is discussed later in this analysis.

Exhibit 4
Energy Assistance to Single-family Homes
Fiscal 2013-2019 Est.



Source: Department of Budget and Management

Fiscal 2018 Actions

Proposed Deficiency

The Governor’s allowance includes a deficiency appropriation of \$415,606 in special funds in fiscal 2018 to be used for weatherization projects. The funds are available from the SEIF. However, there are no SEIF funds in the fiscal 2019 allowance.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$5,109 in general funds, \$322,263 in special funds, and \$85,760 in federal funds.

Proposed Budget

As shown in **Exhibit 5**, the fiscal 2019 allowance decreases by \$2.8 million, or 0.8%. The decline is driven by a \$6.6 million reduction in special funds, partially offset by a \$1.9 million increase in general funds and a \$1.9 million increase in reimbursable funds.

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
Fiscal 2017 Actual	\$4,655	\$77,660	\$252,997	\$3,223	\$338,534
Fiscal 2018 Working Appropriation	9,762	75,753	279,554	2,165	367,234
Fiscal 2019 Allowance	11,694	\$69,430	279,512	4,085	364,721
Fiscal 2018-2019 Amount Change	\$1,932	-\$6,323	-\$42	\$1,920	-\$2,513
Fiscal 2018-2019 Percent Change	19.8%	-8.3%		88.7%	-0.7%

Where It Goes:

Personnel Expenses

Reclassification	\$810
Employee and retiree health insurance, primarily the impact of health insurance deduction holidays in fiscal 2018	383
Statewide general salary increase	285
Workers’ compensation premium assessment.....	35
Turnover adjustments	22
Employees’ retirement system contributions	-58
Regular salaries (vacancies funded at base salary).....	-129
Other fringe benefit adjustments	-6

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Energy Programs

Increase in grant funding from MEAP	750
EmPOWER funding for energy efficiency program	300
CIF funds for multifamily energy efficiency program	-658
Removal of SEIF funds for energy efficiency programs	-1,916
Reduction in federal Weatherization Assistance Program funds	-3,099
CIF funds for single-family energy efficiency program.....	-4,029

Other Changes

Section 8 contract administration	3,000
Rural broadband initiative	2,000
Rental assistance for crime victims from GOCCP	850
Headquarters rent	225
Reimbursable funds for Rental Allowance Program.....	200
Reimbursable funds for grants for subsidized rents for Housing Opportunities for People with HIV/AIDS	120
Foreclosure mediation cases heard at Office of Administrative Hearings	-279
Contractual costs for homeownership program administration.....	-300
Completion of major information technology project.....	-1,050
Other.....	31

Total **-\$2,513**

CIF: Customer Investment Fund
GOCCP: Governor’s Office of Crime Control and Prevention
MEAP: Maryland Energy Assistance Program
SEIF: Strategic Energy Investment Funds

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

Personnel

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s (DBM) statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$285,000.

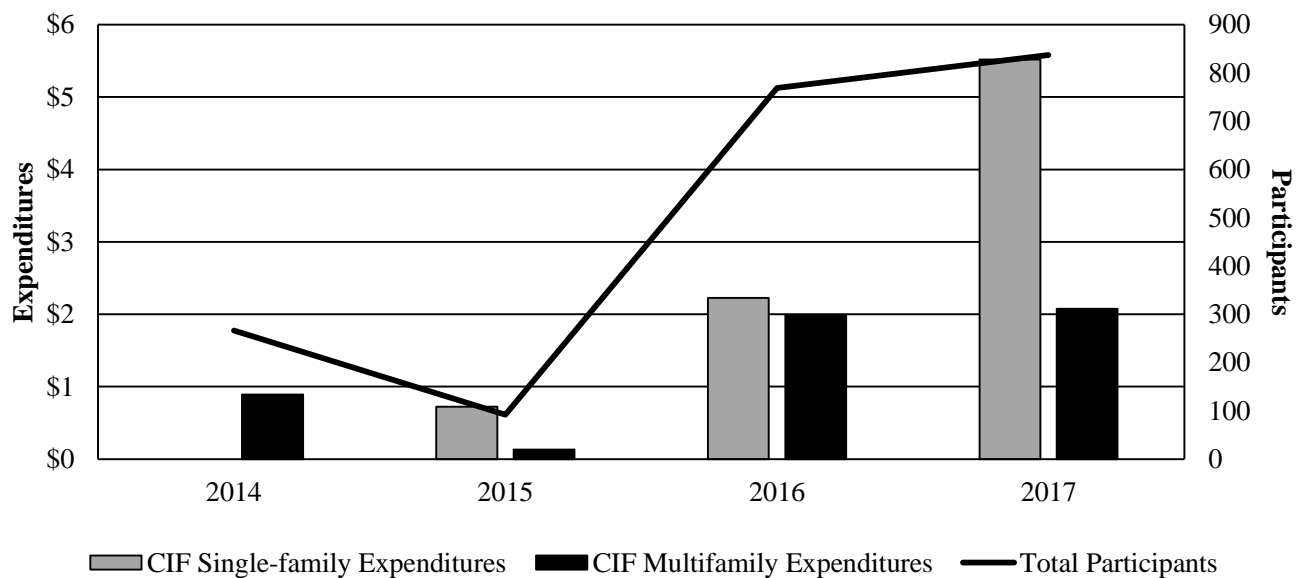
Overall, personnel costs increase by \$1.3 million. Outside of the general salary increase, the other major change in personnel spending is an \$809,947 increase for salary reclassification. While DBM asks that agencies budget new hires at step 0, DHCD typically starts new hires at step 9 of the State pay scale. The department therefore includes funds for reclassification in its allowance to account for expected new hires.

Two Sources of Energy Efficiency Funding Ending

Fiscal 2019 will be the final year in which money from the Customer Investment Fund (CIF) will be available. The funds have been available since fiscal 2014 due to a payment made as a condition of the approval of the merger between the Constellation Energy Group and Exelon Corporation. The fiscal 2018 working appropriation of \$5.5 million for two programs supported by CIF is reduced to \$794,142 in the fiscal 2019 allowance: the single-family program provides grants for energy conservation measures and health and safety improvements for low-income households in the Baltimore Gas and Electric territory outside of Baltimore City that were ineligible for other State weatherization programs due to related health and safety hazards in the home; and the multifamily program provides low-interest loans and grants for energy efficiency retrofits in properties and rental units in affordable multifamily housing communities receiving support from DHCD. Funds are also used to train property management personnel on maintenance and preservation of installed efficiency improvements.

Exhibit 6 shows the amount expended in the single-family and multifamily programs, and the number of combined participants in the program for fiscal 2014 through 2017.

Exhibit 6
Customer Investment Fund Spending and Participants
Fiscal 2014-2017
(\$ in Millions)



CIF: Customer Investment Fund

Source: Department of Housing and Community Development

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In addition to the loss of CIF funding, DHCD is also losing funding from SEIF. The fiscal 2018 working appropriation includes \$1.5 million in special funds for SEIF-funded weatherization programs as well as the previously noted \$415,606 deficiency appropriation. However, there are no SEIF funds included in the fiscal 2019 allowance, due to reduced revenue from auctions in the Regional Greenhouse Gas Initiative.

The department also sees a \$3.1 million reduction in federal funds for the WAP, which provides assistance to low-income households for the installation of energy conservation materials. DHCD is reducing the allowance for fiscal 2019 to better align its funding with the federal grant cycle. The department canceled \$1.2 million in this program in fiscal 2017. These reductions are partially offset by an increase of \$750,000 in reimbursable funds in Maryland Energy Assistance Program grants from the Office of Home Energy Programs. **DHCD should comment on the impact of the loss of these funding sources and discuss the possibility of short- and long-term replacement funding.**

Grant for Rural Broadband Access

The fiscal 2019 allowance includes \$2 million in general funds set aside for the Office of Rural Broadband, which the Governor created by executive order in 2017. The Task Force on Rural Internet, Broadband, Wireless, and Cellular Service made several recommendations during the 2017 interim, one of which was to move the Office of Rural Broadband from the Maryland Department of Agriculture to DHCD. Another recommendation was to fully develop and establish a scope of work or work plan for the Office of Rural Broadband.

The department indicates that it will work in conjunction with the Office of Rural Broadband to provide grants and loans to local governments for infrastructure-related projects to expand broadband in rural areas of the State. However, the department's current plan is undeveloped and only consists of soliciting input from local governments and Internet service providers to identify targets for the funding. Additionally, DHCD had difficulty recently with launching new programs, specifically expending a new source of funding for energy efficiency programs in the form of the CIF. **The Department of Legislative Services recommends deleting \$1.0 million in rural broadband funding to reflect a startup delay and restricting \$1.0 million until the submission of a report providing full details on plans for expending the funds.**

Building Codes to the Department of Labor, Licensing, and Regulation

The fiscal 2019 budget bill includes a section in the back of the bill authorizing the Governor to transfer positions and funding by approved budget amendment from DHCD to the Department of Labor, Licensing, and Regulation (DLLR) contingent on the passage of legislation (HB 694) transferring the Maryland Building Codes Administration from DHCD to DLLR. The administration helps ensure that buildings in Maryland meet applicable standards for health and safety. The department has 4.0 positions and has a fiscal 2019 allowance of \$627,490 in special funds.

Major Information Technology Project Canceled

The fiscal 2019 allowance for major information technology projects declines by \$1.05 million to \$0. The department had planned on using the funds to purchase software to be used for the management and administration of single-family mortgage loan and down payment assistance programs in CDA. That purchase has been canceled; the special funds will be canceled at the end of fiscal 2018.

Contract Administration

DHCD's fiscal 2019 allowance increases by \$3.0 million in federal funds for Section 8 asset and contract management. DHCD performs HUD services 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.

Issues

1. DHCD to Designate Opportunity Zones

In the federal Tax Cut and Jobs Act (TCJA) passed on December 22, 2017, a new incentive program was passed to encourage investment in certain distressed areas in each state. The Opportunity Zones offer deferral of capital gains as a tax benefit to investors in Opportunity Funds that make investments in certain low income communities.

Qualified Opportunity Zones

Low-income communities eligible as Opportunity Zones are the same communities as identified under the New Market Tax Credit Program. It defines “low-income community” in both urban and rural areas as a census tract that meets any of the following criteria: the poverty rate for the tract is at least 20%; if the area is not in a metro area, the median family income for the tract is below 80% of statewide median family income; if the area is a metro area, the median family income for the tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income.

The legislation provides that the governor of each state is to identify up to 25% of eligible census tracts as qualified opportunity zones subject to approval by the U.S. Secretary of the Treasury. The Governor is required to submit the proposed qualified Opportunity Zones 90 days after the effective date of the TCJA, which was December 12, 2017. DHCD has advised that it is currently meeting with community development groups and other interested parties as well as mapping out the census tracts in the State in anticipation of making a designation.

Qualified Opportunity Funds

In a process similar to the establishment of “community development entities” under the New Markets Tax Credit program, Qualified Opportunity Funds must be approved by the Community Development Institutions Fund of the Treasury Department. A Qualified Opportunity Fund must have at least 90% of assets in qualified opportunity zone property. The qualified properties include investments in commercial property, equipment, and multi-family housing within the zone.

There are three main tax benefits for deferral of long- and short-term gains through investment in a Qualified Opportunity Fund. The tax benefits available depend on the amount of time an investment is held in a Qualified Opportunity Fund and include temporary deferral of capital gains income, a step-up in basis for gains reinvested (10% if held for 5 years and 15% if held for 7 years), and a 100% exclusion of capital gains if held for 10 years. The investment must be made in a Qualified Opportunity Fund within 180 days of the sale or disposition of the property, and the bill allows for the investment of only the capital gains income portion of an investment.

Qualified Opportunity Funds will be determined by the Community Development Institutions Fund of the Treasury Department in a process similar to allocation of New Markets Tax Credits to

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“community development entities.” The “qualified opportunity funds” must maintain at least 90% of assets in qualified opportunity zone property. **DHCD should comment on its process to date for designating Qualified Opportunity Zones.**

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$1,000,000 of this appropriation made to expand rural broadband access may not be expended until the Department of Housing and Community Development submits a report to the budget committees detailing a plan for the use of the funds to support the Office of Rural Broadband. The report should also include the goals and priorities of the project. The budget committees shall have 45 days to review and comment. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted.

Explanation: The fiscal 2019 allowance includes \$2,000,000 in the Office of the Secretary to support the Office of Rural Broadband. However, there are no details about how the program would operate or how the funding would be used. The language restricts \$1,000,000 of the funding pending the submission of a detailed report on the program to the budget committees. The report should include detailed plans on how the funds will be used as well as the goals and priorities of the program.

Information Request	Author	Due Date
Description of the rural broadband program	Department of Housing and Community Development	45 days before the release of funds

	Amount Reduction	
2. Reduce funds for the rural broadband initiative in the Office of the Secretary. The remaining funds should be sufficient to launch the program.	\$ 1,000,000	GF
Total General Fund Reductions	\$ 1,000,000	

Appendix 1
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 2017					
Legislative Appropriation	\$4,546	\$88,369	\$245,880	\$2,165	\$340,960
Deficiency Appropriation	585	0	0	0	585
Cost Containment	0	0	0	0	0
Budget Amendments	0	-3,834	10,966	1,691	8,823
Reversions and Cancellations	-476	-6,874	-3,849	-634	-11,833
Actual Expenditures	\$4,655	\$77,660	\$252,997	\$3,223	\$338,534
Fiscal 2018					
Legislative Appropriation	\$4,546	\$75,659	\$279,640	\$2,165	\$362,010
Cost Containment	0	0	0	0	0
Budget Amendments	5,221	0	0	0	5,221
Working Appropriation	\$9,767	\$75,659	\$279,640	\$2,165	\$367,232

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The Department of Housing and Community Development (DHCD) finished fiscal 2017 approximately \$2.4 million below its legislative appropriation.

General Funds

The general fund appropriation increased by \$109,175 over the original \$4.5 million appropriation. The appropriation increased by \$585,000 for a deficiency appropriation to the Rental Assistance Program (RAP) to be used to assist residents of the Lynhill Condominiums. The department transferred \$125,000 of these funds by amendment to Neighborhood Revitalization for rental assistance and the remaining \$460,000 was reverted because DHCD did not provide assistance to Lynhill residents; the department believes residents found other sources of assistance. There were also just under \$16,000 in other unspent general funds.

Special Funds

The special fund appropriation decreased by \$10.7 million compared to the legislative appropriation. Amendments decreased the appropriation by \$3.8 million. The amendments were:

- a \$4.6 million reduction to shift funds from the operating budget for energy efficiency programs to the capital budget for energy efficiency programs;
- a \$373,000 increase for centrally budgeted salary increments;
- a \$230,000 increase for the annual salary review; and
- a \$187,500 increase for a fee for the department to administer Ellicott City flood recovery efforts. The department later returned this entire amount to the Department of Commerce as the legislature determined it was unneeded.

DHCD canceled \$6.9 million in special funds for the following reasons:

- \$3.1 million due to lower than expected activity in energy efficiency programs funded by EmPOWER and the Regional Greenhouse Gas Initiative;
- \$3.0 million due to lower than expected salary and contractual services costs across several of DHCD's departments;
- \$424,204 due to lower than budgeted expenses for the maintenance of foreclosed properties; and

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- \$300,000 due to the Maryland Affordable Housing Trust awarding fewer grants than anticipated.

Federal Funds

The federal fund appropriation increased by \$7.1 million compared to the legislative appropriation. Amendments increased the appropriation by \$11.0 million. The amendments were:

- a \$12.0 million increase for higher than expected housing assistance payments primarily due to rent increases;
- a \$1.2 million decrease to shift funds from the operating budget for energy programs to energy efficiency programs in the capital budget;
- a \$120,000 increase for centrally budgeted salary increments; and
- a \$46,000 increase for the annual salary review.

DHCD canceled \$3.8 million in federal funds for the following reasons:

- \$1.9 million due to lower than expected Section 8 voucher activity;
- \$1.2 million due to lower than expected grant activity in the U.S. Department of Energy Weatherization Assistance Program; and
- Approximately \$700,000 due to lower than expected salary and contractual services costs across several of DHCD's departments as well as other miscellaneous reductions.

Reimbursable Funds

Reimbursable funds were approximately \$1.1 million higher than the legislative appropriation. Amendments increased the reimbursable fund appropriation by \$1.7 million. The amendments were:

- a \$750,000 increase from the Department of Human Services (DHS) for energy efficiency programs; and
- a \$941,200 increase from the Governor's Office of Crime Control and Prevention (GOCCP) for the New Futures Rental Subsidy Program, which provides RAP vouchers to certain crime victims for up to 12 months.

The department canceled \$634,000 in reimbursable funds, comprised mostly of a \$551,154 cancellation due to lower than anticipated activity in the RAP. Funds from GOCCP from the

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Victim Assistance Formula Grant Program are being used to provide rental assistance vouchers to victims of sexual assault, domestic violence, or sex trafficking.

Fiscal 2018

The fiscal 2018 legislative appropriation increases by \$5.2 million in general funds. The increase is due to an amendment to shift homelessness prevention programs from DHS to DHCD.

Appendix 2
Object/Fund Difference Report
Department of Housing and Community Development

Object/Fund	FY 17 Actual	FY 18 Working Appropriation	FY 19 Allowance	FY 18 - FY 19 Amount Change	Percent Change
Positions					
01 Regular	324.00	333.00	333.00	0.00	0%
02 Contractual	63.70	96.40	96.40	0.00	0%
Total Positions	387.70	429.40	429.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 33,174,830	\$ 34,420,478	\$ 35,064,960	\$ 644,482	1.9%
02 Technical and Spec. Fees	4,653,584	4,593,017	4,593,017	0	0%
03 Communication	187,948	299,224	295,058	-4,166	-1.4%
04 Travel	265,476	384,367	385,667	1,300	0.3%
06 Fuel and Utilities	177,311	200,000	200,000	0	0%
07 Motor Vehicles	134,759	209,868	151,338	-58,530	-27.9%
08 Contractual Services	30,390,404	27,408,589	21,681,954	-5,726,635	-20.9%
09 Supplies and Materials	233,383	319,050	315,550	-3,500	-1.1%
10 Equipment – Replacement	289,933	532,339	454,355	-77,984	-14.6%
11 Equipment – Additional	9,161	25,000	125,000	100,000	400.0%
12 Grants, Subsidies, and Contributions	264,084,201	294,032,876	296,129,317	2,096,441	0.7%
13 Fixed Charges	4,729,069	4,806,922	5,040,611	233,689	4.9%
14 Land and Structures	204,172	0	0	0	0.0%
Total Objects	\$ 338,534,231	\$ 367,231,730	\$ 364,436,827	-\$ 2,794,903	-0.8%
Funds					
01 General Fund	\$ 4,655,175	\$ 9,767,243	\$ 11,690,810	\$ 1,923,567	19.7%
03 Special Fund	77,659,955	75,659,490	69,208,902	-6,450,588	-8.5%
05 Federal Fund	252,996,598	279,639,997	279,452,115	-187,882	-0.1%
09 Reimbursable Fund	3,222,503	2,165,000	4,085,000	1,920,000	88.7%
Total Funds	\$ 338,534,231	\$ 367,231,730	\$ 364,436,827	-\$ 2,794,903	-0.8%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 3
Fiscal Summary
Department of Housing and Community Development**

Program/Unit	FY 17 Actual	FY 18 Wrk Approp	FY 19 Allowance	Change	FY 18 - FY 19 % Change
20 Office of the Secretary	\$ 7,354,073	\$ 8,919,800	\$ 11,444,645	\$ 2,524,845	28.3%
22 Division of Credit Assurance	7,024,647	7,079,014	7,247,914	168,900	2.4%
24 Division of Neighborhood Revitalization	29,501,690	33,980,750	33,643,879	-336,871	-1.0%
25 Division of Development Finance	282,452,047	301,598,444	297,327,810	-4,270,634	-1.4%
26 Division of Information Technology	2,550,177	4,536,198	3,722,711	-813,487	-17.9%
27 Division of Finance And Administration	9,651,597	11,117,524	11,049,868	-67,656	-0.6%
Total Expenditures	\$ 338,534,231	\$ 367,231,730	\$ 364,436,827	-\$ 2,794,903	-0.8%
General Fund	\$ 4,655,175	\$ 9,767,243	\$ 11,690,810	\$ 1,923,567	19.7%
Special Fund	77,659,955	75,659,490	69,208,902	-6,450,588	-8.5%
Federal Fund	252,996,598	279,639,997	279,452,115	-187,882	-0.1%
Total Appropriations	\$ 335,311,728	\$ 365,066,730	\$ 360,351,827	-\$ 4,714,903	-1.3%
Reimbursable Fund	\$ 3,222,503	\$ 2,165,000	\$ 4,085,000	\$ 1,920,000	88.7%
Total Funds	\$ 338,534,231	\$ 367,231,730	\$ 364,436,827	-\$ 2,794,903	-0.8%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.