

S00A
Department of Housing and Community Development

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$31,272	\$31,035	\$30,314	-\$958	\$31,259	\$945
Contractual Services	6,475	9,562	7,940	1,466	9,897	1,957
Grants	106,999	123,593	153,638	46,640	160,854	7,216
Contingent & Back of Bill Reductions	0	0	0	0	-579	-579
Adjusted Grand Total	\$144,745	\$164,190	\$191,893	\$47,148	\$201,431	\$9,538
General Funds	18,056	14,151	8,974	-9,082	9,302	328
Contingent & Back of Bill Reductions	0	0	0	0	-439	-439
Adjusted General Funds	\$18,056	\$14,151	\$8,974	-\$9,082	\$8,863	-\$111
Special Funds	23,486	25,864	28,659	5,173	28,016	-642
Contingent & Back of Bill Reductions	0	0	0	0	-116	-116
Adjusted Special Funds	\$23,486	\$25,864	\$28,659	\$5,173	\$27,900	-\$758
Federal Funds	101,983	122,791	153,526	51,542	163,459	9,933
Contingent & Back of Bill Reductions	0	0	0	0	-25	-25
Adjusted Federal Funds	\$101,983	\$122,791	\$153,526	\$51,542	\$163,434	\$9,908
Reimbursable Funds	1,219	1,384	734	-486	1,233	499
Adjusted Grand Total	\$144,745	\$164,190	\$191,893	\$47,148	\$201,431	\$9,538
Annual % Change		13.4%	16.9%		5.0%	

- Fiscal 2003 cost containment reduced the general fund by \$776,000. Significant reductions included a \$280,000 reduction in the Rental Allowance Program, \$100,000 reduction in the Self Help Housing Program, \$155,000 reduction to the Division of Historical and Cultural Programs, and a \$92,000 reduction in the Division of Neighborhood Revitalization. Fiscal 2004 cost containment was entirely borne in personnel reductions.
- The federal fund budget increased 6.5%, or \$9.9 million. The increase is entirely due to federal grants of which \$9.2 million is Section 8 new construction and contract administration, and rental voucher, and \$400,000 is an increase in Community Development Block Grants (CDBG).

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

For further information contact: Stacy A. Porter

Phone: (410) 946-5530

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	415.8	402.2	392.9	-22.9	392.9	0.0
Contractual FTEs	48.9	50.0	70.9	22.0	61.7	-9.2
Total Personnel	464.7	452.2	463.8	-0.9	454.6	-9.2

Vacancy Data: Regular Positions

Turnover Expectancy	12.77	3.25%
Positions Vacant as of 12/31/03	24.00	6.11%

- Fiscal 2004 cost containment abolished 14 vacant positions that, combined with other funding reallocations, resulted in general fund savings of \$949,368, or 10% of the department's total general fund appropriation. In November 2003, four contractual positions were eliminated by a Board of Public Works cost containment action.
- The Department of Housing and Community Development (DHCD) budgeted turnover rate of 3.25% requires an average of 12.77 positions remain vacant throughout fiscal 2005 to achieve the \$837,659 in savings required. After adjusting for the abolishment of 14 positions in July 2003, the agency's current number of vacant positions is 24.0. Of the 24 vacant positions; 15 have been vacant for less than 6 months, and 9 have been vacant for less than 12 months.

Analysis in Brief

Major Trends

Nationwide Affordable Housing Shortage Continues: Insufficient affordable housing is a significant problem faced by low-income households, preventing them from meeting other basic needs, such as nutrition and healthcare. Expanding the supply of affordable housing is a core mission of DHCD and the federal Department of Housing and Urban Development (HUD). In fiscal 2005, DHCD is receiving an additional \$11.2 million from HUD, including \$2 million from capital CDBG funds to help combat the affordable housing shortage in Maryland. **DHCD should brief the committees concerning how the department plans to utilize the additional federal funds to address the shortage of affordable housing.**

The Number of Communities to Which DHCD Provided Financial Assistance Declined: In 2003 the number of communities which were provided financial assistance for revitalization fell 31%. DHCD attributes the decline to fewer resources being available. The department is projecting to provide more assistance due to increased funding levels in 2004 and the introduction of Catalyst in 2005, which is a training institute that brings together expert panels and the community to share information and provide training.

The Community Development Administration (CDA) Initiates Marketing and Product Changes to Be More Competitive: In order to compete against low interest rates, innovative private sector products and increasing housing prices, DHCD instituted an aggressive and professional marketing campaign to promote CDA products. DHCD also enhanced the mortgage product by offering increased purchase price limits in all jurisdictions, lower interest rates, and a new no-point product.

Issues

The Future of the Heritage Structure Rehabilitation Tax Credit Program: The Heritage Structure Rehabilitation Tax Credit Program (HSRTC) is scheduled to sunset June 1, 2004. However, House Bill 289 and its companion Senate Bill 190 propose to extend the sunset date to January 1, 2010. Also, House Bill 679 proposes to restructure the program from a tax credit to a grant. This issue will discuss the current structure of the HSRTC program and the various changes these bills make to the program. **The Department of Legislative Services recommends that DHCD brief the committees on the benefits and disadvantages of continuing the Heritage Preservation Tax Certification Program and whether the program would be better served as a grant program.**

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Recommended Actions

	<u>Funds</u>
1. Reduce general funds for turnover expectancy to better reflect number of actual vacancies.	\$ 450,000
2. Adopt committee narrative requesting an annual report on the distribution of grants.	
Total Reductions	\$ 450,000

Updates

Maryland Heritage Area Program Review: Committee narrative included in the 2003 *Joint Chairmen's Report* required DHCD to conduct a five-year strategic plan for the development of certified and recognized State heritage areas. This update summarizes the findings contained in the strategic plan which was completed November 1, 2003.

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Operating Budget Analysis

Program Description

The mission of the Department of Housing and Community Development (DHCD) is to revitalize communities, encourage homeownership, expand affordable housing, and enhance Maryland's historic sites and traditions. The department's programs are administered through four operating divisions and three administrative support units including the Office of the Secretary, Division of Information Technology (IT), and Division of Finance and Administration. The operating divisions are Division of Credit Assurance, which includes the Maryland Housing Fund (MHF); Division of Historical and Cultural Programs; Division of Neighborhood Revitalization; and Division of Development Finance, which includes the Community Development Administration.

Performance Analysis: Managing for Results

The department's fiscal 2005 Managing for Results (MFR) submission includes a number of departmental goals, objectives, and performance measures. **Exhibit 1** provides a summary of these goals and selected performance measures.

Over the past year, DHCD has completely revised its fiscal 2003 MFR performance measures to more accurately reflect the department's mission statement and six department-wide goals. The six department-wide goals include (1) revitalizing communities, (2) encouraging home ownership, (3) expanding affordable rental housing, (4) assisting small businesses, and (5) enhancing heritage resources, and (6) restoring and preserving heritage resources. In prior years, the objectives were predicated on U.S. Census Bureau decennial data for 1990 and 2000. In fiscal 2003, the objectives and goals are based on available program data, making year-over-year comparisons more realistic and practical.

Exhibit 1
DHCD – Performance Measurement Data
Fiscal 2005

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 02 – 03</u> <u>% Change</u>	<u>FY 04</u> <u>Est.</u>	<u>FY 05</u> <u>Est.</u>
Goal: Revitalize communities – strengthen selected communities in need of revitalization.					
Number of communities provided DHCD financial assistance	186	129	-57	146	165
The number of communities provided technical assistance	189	107	-82	135	155
Goal: Encourage homeownership – help low and moderate income residents purchase their own home.					
Number of Maryland residents who purchased their homes	22,627	21,344	-1,283	20,000	20,000
Number of residents DHCD helped to own their own home	1,801	995	-806	2,000	2,000
Goal: Expand decent, affordable rental housing – increase the percentage of low and moderate-income Maryland families who live in decent, affordable rental housing.					
Number of affordable units going to initial closing	2,997	2,170	-827	2,450	2,700
Loan amount for rental housing developments going to initial closing (\$ in Millions)	\$151.50	\$115	-36.5	\$140	\$166
Number of transitional housing or shelters going to initial closing	4	5	1	4	4
Number of transitional or homeless beds provided	127	133	6	113	75
Dollar amount committed for transitional housing or shelters (\$ in Thousands)	\$1,328	\$809	-\$519	\$1,575	\$1,000
Goal: Assist small business owners.					
Number of small businesses assisted with DHCD funds	26	15	-11	15	25
Number of residents employed full time assisted with DHCD funds	639	296	-343	200	250
Goal: Enhance Maryland's heritage resources.					
Goal: Restore and preserve Maryland's heritage resources.					
State Historic Rehabilitation Tax Credits (SHRTC) approved (\$ in Millions)	\$233	\$149	-\$84	\$90	\$0
Projects approved for a SHRTC*	414	398	-16	212	0
The amount of private investment leveraged for commercial projects by the SHRTC (\$ in Millions)	\$195	\$95	-\$100	\$60	\$0

* The number of projects and dollar amounts decline in each of the calendar years due to caps which were placed on the SHRTC program during the 2003 legislative session. The cap on commercial projects in 2003 was \$23 million while the cap on commercial projects in 2004 is \$15 million. The program is scheduled to sunset June 1, 2004. HB 289 and its companion SB 190 extend the sunset date to January 1, 2010.

Source: Department of Housing and Community Development

Community Revitalization

One of the department's primary goals is to administer programs that revitalize communities. The performance data provided indicates that the number of communities to which DHCD provided financial assistance for revitalization fell 31% from 186 in 2002 to 129 in 2003. The department attributes the decline to fewer resources being available. DHCD expects this number to increase in 2004 and 2005 due to increased funding levels. Technical training provided to the communities fell 43% from 189 in 2002 to 107 in 2003. DHCD once again attributes the decline to reduced funding and the fact that some communities elected to focus on implementing the activities funded in the first year, 2002, instead of participating in training for new revitalization. The increase in 2004 and also projected in 2005 is a function of an innovative training and technical assistance initiative called Catalyst. Catalyst is a training institute, which brings together expert panels and shares information and provides training.

Homeownership Assistance

The number of Maryland residents who purchased their home fell 6% from 22,627 in fiscal 2002 to 21,344 in fiscal 2003. However, the number of low and moderate-income residents DHCD helped to purchase their homes fell 45% from 1,801 in fiscal 2002 to 995 in fiscal 2003. The Community Development Administration (CDA), primarily attributes the decrease to the following factors: (1) interest rates in the private sector market are at historic lows and compete favorably with CDA's low rates; (2) private sector lenders are offering conventional loans with high loan to value ratios, adjustable rate mortgages and other loan products that can serve the typical CDA borrower; (3) it has been a "sellers market" with sellers receiving various offers and usually choosing buyers who are not using government loans; and (4) home purchase prices have risen steeply/steadily with the result that much of the housing stock is priced above the purchase price limits in the CDA program. In order to compete more successfully in the market, CDA initiated the following activities: (1) aggressive and professional marketing; (2) increased purchase price limits in all jurisdictions; (3) lower interest rates; and (4) a new no-point product in addition to the traditional 2-point product. **DHCD should brief the committees on the success these activities are having at increasing or maintaining home ownership and rental housing opportunities for low and moderate-income Marylanders. Also, DHCD should clarify for the committees why it expects the number of residents assisted with home ownership to increase by approximately 100% to 2,000 in fiscal 2004 and 2005 despite the expected 6% drop in the number of Maryland residents who are expected to purchase their own homes over the same time period.**

Affordable Housing

The number of affordable housing units going to initial closing shows a continuing increase in production from fiscal 2003 through 2005. The number of units produced from fiscal 2002 to 2003 decreased, but DHCD believes the fiscal 2002 numbers were unusually high due to a concentrated effort to eliminate processing backlogs and getting older loans closed. The fiscal 2005 goals represent the Secretary's commitment to producing 2,000 units of affordable housing under the

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department's tax-exempt bond program. The number of transitional or homeless beds provided and the dollar amount committed for transitional housing or shelters is expected to decrease in fiscal 2005 due to reduced funding. According to the National Coalition's 2003 Annual Report, Maryland had the fifth highest "housing wage" in the country, which is defined as the wage a household needs to be able to afford an average two-bedroom apartment. According to DHCD, on average, 26% of all Maryland households could not afford a one bedroom unit in the county in which they lived without paying more than 30% of their income in rent. If a household is paying more than 30% of their income in rent, the unit is not considered an affordable house. **DHCD should brief the committee on whether it believes that the current pace of creating affordable housing is keeping up with the demand.**

Fiscal 2004 Actions

The fiscal 2004 cost containment measures applied to DHCD total \$949,368, or 10% of the department's fiscal 2004 general fund appropriation. A summary of the reductions is as follows:

- A reduction in the amount of \$703,394 was taken to abolish 14 vacant positions. Three vacancies in the IT division, two in the Division of Neighborhood Revitalization, five in the Division of Historical and Cultural Programs, three in the Office of Secretary, and one in Finance and Administration. No decrease in current service levels is expected.
- General fund support in the amount of \$59,590 was eliminated for two positions in the Division of Neighborhood Revitalization Program and replaced by special and federal funds.
- General fund salary expenses in the amount of \$186,384 were eliminated in the Division of Historical and Cultural programs and replaced with special, federal and reimbursable funds available from outside contract revenue and existing Heritage Area Fund balance.

Governor's Proposed Budget

The fiscal 2005 allowance for DHCD is \$201.4 million, which represents a \$9.5 million, or 5.0% increase over the fiscal 2004 adjusted working appropriation. The allowance for general funds is \$111,000 less than the fiscal 2004 working appropriation, after adjusting for the \$400,000 contingent and deferred compensation reduction. The special fund allowance is \$27.9 million representing a decrease of \$758,000 less the adjusted 2004 working appropriation. The allowance for federal funds is \$163.4 million, which is an increase of \$9.9 million over the adjusted fiscal 2004 working appropriation. The increase is primarily explained by changes in the funding for the department's administration of the Section 8 project-based rental assistance program which increases by \$9.2 million in the budget. **Exhibit 2** itemizes the major programmatic and personnel changes in the department's budget that are discussed in the section that follows.

Exhibit 2
Governor's Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$14,151	\$8,974	\$9,302	\$328	3.7%
Contingent & Back of Bill Reductions	0	0	-439	-439	
Adjusted General Funds	\$14,151	\$8,974	\$8,863	-\$111	-1.2%
Special Funds	\$25,864	\$28,658	\$28,016	-\$642	-2.2%
Contingent & Back of Bill Reductions	0	0	-116	-116	
Adjusted Special Funds	\$25,864	\$28,658	\$27,900	-\$758	-2.6%
Federal Funds	\$122,791	\$153,526	\$163,459	\$9,933	6.5%
Contingent & Back of Bill Reductions	0	0	-25	-25	
Adjusted Federal Funds	\$122,791	\$153,526	\$163,434	\$9,908	6.5%
Reimbursable Funds	\$1,384	\$734	\$1,233	\$499	68.0%
Adjusted Grand Total	\$164,190	\$191,892	\$201,430	\$9,538	5.0%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	\$365
Employee and retiree health insurance.....	208
Turnover adjustments and cost containment restoration.....	-34
Other fringe benefit adjustments.....	171

Office of the Secretary, Finance and Administration, and Information Systems

Decreased funding of the Maryland Affordable Housing Trust.....	-800
Increase in special funds for tuition reimbursement and training grants	10
Increase in operating expenses	286

Division of Historical and Cultural Programs

Decrease in general funds for the Maryland Historic Preservation grant program	-41
Increase in special funds for the Maryland Historic Preservation grant program	50
Decrease in general funds for the Museum Assistance Program.....	-93

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Where It Goes:

Decrease in federal funding for the National Park Service grant	-29
Decrease in operating expense.....	-91

Division of Neighborhood Revitalization

Increase in federal funding for Community Development Block Grant – special project grants.....	400
Increase in funding for employee training.....	34
Increase in funding for professional services	50

Division of Development Finance

Net change in federal fund Section 8 contract administration.....	22,000
Decrease in federal funds for Section 8 new construction	-13,649
Reduced funding for the rental allowance program.....	-600
Elimination of special funds for the Self Help Housing grants	-500
Elimination of general fund grant for the Microenterprise Council	-100
Elimination of federal funds for Section 8 Rental Certificate Program	-460
Increase in funding for Section 8 Rental Voucher	1,285
Increased travel for conferences and seminars	28
Increased expenditure for various contractual services for the Division of Development Finance Programs	858
Increase in special funds for advertising to support the More House 4 Less CDA Mortgage Program	343
Increase in funding for professional services	428
Statewide indirect costs	-179
Other.....	-402

Total **\$9,538**

CDA = Community Development Administration

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

Office of the Secretary, Finance and Administration, and Information Systems

The allowance for the Office of the Secretary is approximately \$2.7 million, which represents a \$350,337 increase from the adjusted fiscal 2004 working appropriation. Personnel expenditures including contractual employee payments, which account for 86% of the office’s total budget, increased \$244,920. The most significant nonpersonnel-related budget change is a \$68,700 increase to fund strategic planning and fiscal impact analysis. This type of analysis ensures that the agency’s resources are allocated in the most efficient manner.

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The allowance for special funded grants provided by the Maryland Affordable Housing Trust is \$2.0 million, which is an \$800,000 decrease from the fiscal 2004 working appropriation.

The allowance for the Office of Management Services is \$2.2 million, which is a \$100,216 decrease from the fiscal 2004 working appropriation. Personnel expenditures including contractual employee payments, which account for 80% of the office's total budget, decrease \$150,883. The most significant nonpersonnel-related budget change is an increase of \$48,500 for regional marketing breakfasts to promote the More House 4 Less Mortgage Program and for the addition of an on-line employee training program.

The department's Division of IT receives an allowance of \$3.2 million, which is a \$209,071, or 7.1% higher than the fiscal 2004 working appropriation. The allowance for personnel, including contractual employee payments, is 45% of the office's total budget and decreases by \$32,235 below the fiscal 2004 working appropriation. The most significant nonpersonnel-related budget changes are as follows: (1) increase of \$250,000 for the purchase of an Executive Information System and financial systems software which will allow DHCD to integrate existing financial systems and to automate DHCD's expenditure, budget, and projection processes. This software should reduce staff time in gathering and analyzing data and aid executive decision making; and (2) decrease of \$153,036 for maintenance of software.

The allowance for the Division of Development Finance is \$4.5 million which is a \$117,003 increase over fiscal 2004. Personnel expenditures (including contractual employee payments), which account for 69% of the division's total budget, increase by \$90,411. The division lost three contractual positions. The most significant nonpersonnel-related budget changes are as follows: (1) the budget provides approximately \$24,000 less for vehicle expense since no new vehicles are being replaced in fiscal 2005; and (2) rent paid to the Department of General Services for the Crownsville headquarters building increased from \$47,998 to \$931,856.

Division of Credit Assurance

The allowance for the Maryland Housing Fund (MHF) is approximately \$441,957, which is a decrease of \$16,563 below the fiscal 2004 working appropriation. MHF is supported entirely with special fund revenues generated from the premiums and the fund's mortgage insurance activities. Personnel expenses associated with the six regular positions supporting the fund's activities comprise \$400,818, or 90% of the total allowance. The allowance for the Asset Management Office is approximately \$4.4 million and increases by \$9,973, or 0.2% above the fiscal 2004 working appropriation. Personnel expenditures including contractual employee payments, account for almost \$2.9 million of the total allowance and represent 67% of the office's total budget. The office loses 1.0 contractual position to abolishment.

The Maryland Building Codes Administration receives a fiscal 2005 allowance of approximately \$620,949, which is roughly \$12,949 above the fiscal 2004 working appropriation. Personnel expenditures for the eight regular positions supporting the administration comprises 85% of the allowance and accounts for \$17,501 of the increase funding.

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Division of Historical and Cultural Programs

The Office of Management and Planning (OMP) receives an allowance of \$2.5 million, which is approximately \$39,007 less than what is provided in the fiscal 2004 working appropriation. OMP is funded with 18 regular positions and 1 contractual full-time equivalent (FTE) in the allowance, which represents a reduction of 1 contractual FTE due to position abolishment. Personnel expenditures for regular and contractual employees is approximately \$1.2 million, or 47% of the total budget. The most significant nonpersonnel-related budget changes were a reduction of \$46,000 due to the elimination of internships.

OMP's grant activities account for \$1.3 million of the allowance. In total, the funding for grants decreased by \$20,296. The allowance continues to provide funds for the following grant programs:

- \$192,000 of general funds for non-capital grants for historic preservation and museum assistance. This program has been reduced significantly over the last two budgets. In fiscal 2002 the program was appropriated \$1.3 million; however, actions of the General Assembly reduced the funding for this grant program by one-half to \$650,000 for the fiscal 2003 budget. An additional \$90,000 in funding was eliminated in fiscal 2003 through cost containment. In fiscal 2004, the program received \$233,445 of general funds.
- \$900,000 of special funds for grants from the Maryland Heritage Areas Authority (MHAA) Fund. This fund receives a \$1.0 million annual dedication of State transfer tax funds to make grants for cultural and heritage tourism projects located in certified or recognized heritage areas. Ten percent of the \$1.0 million is applied to administrative expenses. The allowance represents the same funding level as fiscal 2004.
- \$53,500 of general funds to support the activities of the Maryland Humanities Council. This grant was reduced from \$107,000 by actions of the General Assembly during the 2002 session. The grant leverages a federal fund match. The allowance represents the same funding level as fiscal 2004.
- \$58,339 of federal funds for historic preservation grants from the U.S. Department of the Interior for the purposes of carrying out the provisions of the National Historic Preservation Act. These funds assist programs to survey, register, restore, and renovate historic buildings. This is a decrease of \$28,851 below fiscal 2004.
- \$50,000 of special funds for the Maryland Historic Preservation Grant. This funding is prior year grants funds that are cancelled and go into a non-lapsing special fund. This program was not funded in fiscal 2004.

The Office of Museum Services' fiscal 2005 allowance is \$3.2 million, which is a \$46,331 less than the fiscal 2004 working appropriation. The office is funded with 35 regular positions and 9.94 contractual FTEs in the allowance, which represents a reduction of 2.5 FTEs due to position abolishment. Personnel expenditures for regular and contractual employees are approximately \$2.2 million, or 69% of the total budget. The allowance continues to provide general funds for

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Museum Assistance grants; however, these grant funds have been reduced \$93,000, from \$480,384 in the fiscal 2004 budget, to \$387,384 in the fiscal 2005 allowance.

The Division of Historical and Cultural Programs also includes the Office of Research, Survey and Registration, and the Office of Preservation Services. Collectively, these programs are provided with \$1.7 million in the fiscal 2005 allowance, which is a \$100,561 increase over what was appropriated in fiscal 2004. The increase is almost entirely due to higher personnel costs.

On June 1, 2004, the Heritage Structure Rehabilitation Tax Credit Program (HSRTC) is scheduled to sunset. The administration has introduced HB 289 and its companion SB 190 which propose several changes to the existing program and extends the sunset date to January 1, 2010. One of the proposed changes allows DHCD to charge a fee to cover administrative expenses. The Governor has included contingent language in the budget bill reducing general funds in the Preservation Services Program by \$400,000 contingent on enactment of HB 289 and SB 190.

Division of Neighborhood Revitalization

The allowance for the Division of Neighborhood Revitalization is \$13.3 million, which represents a \$513,177, or a 4% increase over the fiscal 2004 working appropriation. General funds decreased \$190,727, special funds increased \$248,740, and federal funds increased \$455,164. The allowance for personnel, including contractual employees, accounts for \$2.4 million, or 18% of the total budget. A large portion of the division's funding is provided for the administration of various grant programs. The budget provides approximately \$10.3 million, or 77% of the total allowance for grants. This represents a \$407,588 increase over the fiscal 2004 working appropriation. The division administers the following grants:

- \$250,000 of general funds for operating grants under the Community Legacy Program (CLP). This is the same funding as provided in the fiscal 2004 budget.
- \$50,000 of general funds for the Main Street Improvement Program. This is the same level of funding as provided in the fiscal 2004 budget.
- \$376,584 of general funds for the Neighborhood Housing Services and Revitalization Grant Programs. These grants assist neighborhood services corporations for the costs incurred in neighborhood revitalization efforts. This is the same level of funding as provided in the fiscal 2004 budget.
- \$120,000 of general funds for the Town Management Circuit Rider Program. This is the same level of funding as provided in the fiscal 2004 budget.
- \$56,033 of federal funds from U.S. Department of Health and Human Services for nutrition educational programs. This represents a \$5,872 increase over fiscal 2004.

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- \$8,379,275 of federal funds for Community Service Block Grants. This program is funded through the U.S. Department of Health and Human Services. Grants are administered to community action agencies that provide services to low-income individuals and families. The department's estimate of the grant amount to be received represents a \$4,478 increase from \$8,383,753 provided in the fiscal 2004 budget.
- \$1,000,000 of federal funds for the Community Development Block Grant Program Special Projects Grant. These funds provide grants to local governments to assist low- and moderate-income individuals with their needs and assist local governments to eliminate blight. This represents a \$400,000 increase over fiscal 2004.

Other changes in Neighborhood Revitalization include an additional \$80,155 for employee training to keep them abreast of the latest policies, trends, and best practices related to their programs, and a \$49,500 increase to provide professional and technical assistance following loan settlement.

Division of Development Finance

This division finances the development of affordable multi-family and single family housing, encourages homeownership, provides loans and grants for special housing needs, and administers State and federally funded rental subsidy programs. The allowance for the division's five programs provides \$161.4 million, which is a \$9.8 million increase over the fiscal 2004 working appropriation. While the division's total budget is very large, \$150.1 million is attributable to federal funds. Personnel expenses are approximately \$7.7 million supporting 102 regular positions and 31 contractual FTEs. Most of the department's federal funds are budgeted in the Division of Development Finance. Of the total allowance, \$130.0 million is provided by HUD for the Project-based Section 8 Contract Administration and New Construction Program which is approximately a \$22.0 million increase over fiscal 2004. DHCD's Rental Services Program entered into a contract with HUD to administer Section 8 rental housing assistance payments. DHCD is expecting to manage 310 contracts with an estimated monthly housing assistance payment of \$35,000 per month. The 310 contracts are an estimate based on DHCD's performance contract with HUD. Section 8 New Construction decreases \$13.6 million. The federal government has started combining the Section 8 Contract Administration with the Section 8 New Construction; therefore, the Section 8 funding for both of these programs is provided in Contract Administration. Also, an additional, \$1.3 million is included in the 2005 budget for increased funding of the Section 8 rental voucher program. The department also receives a pass-through weatherization grant in the amount of \$2.9 million of federal funds, which represents a 2.8% increase from the fiscal 2004 budget. Further analysis of the department's federal funds budget is provided.

In fiscal 2004, \$1.8 million of general funds was reduced in the Rental Allowance Program (RAP) and replaced with \$1.8 million of special funds from the Maryland Affordable Housing Trust (MAHT). The RAP program provides monthly rent assistance to low income families who are homeless or have an emergency housing need. Also, \$500,000 of general funds was reduced in the Self Help Housing Program and replaced with \$500,000 of special funds from the MAHT. In fiscal

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2005, the budget replaces \$1.2 million of general funds that were reduced in the RAP program; however, the Self Help Housing Program is not funded in the Governor's fiscal 2005 budget. Another significant change to the budget includes an increase of \$343,390 to support the More House 4 Less CDA Mortgage advertising campaign.

The department's budget provides funds for a variety of contractual services, many of which relate to audit services and financial advisory services. Significant contractual service contracts include (1) \$250,000 for financial advisory services related to the department's bond issuance activity; (2) \$170,000 for an audit and other financial services for CDA; (3) \$190,000 for various contractual services for the Housing Development Program; (4) \$426,000 for credit, marketing, microfilming, and other assorted contractual services supporting the Homeownership Program; (5) \$145,000 for various contractual services for the Special Loan Programs; (6) \$382,000 for tax credit monitoring services required by federal law; (7) \$293,000 in Section 8-related contractual services; (8) \$850,000 in special funds derived from utility company revenues; and (9) \$750,000 in reimbursable funds from the Department of Human Resources Community Services Administration to provide funds in addition to what is provided in federal funds to support the Weatherization Assistance Program.

DHCD distributes a significant amount of grant funds from its annual operating appropriation to various State and local governments, and numerous private entities. The proposed fiscal 2005 budget would distribute approximately \$170.7 million in grants. **The Department of Legislative Services (DLS) recommends that DHCD submit an annual report for fiscal 2003 and 2004 actual spending and to the extent possible, similar information for the 2005 working appropriation.**

Impact of Federal Actions

Federal funds support a number of activities within the department, often with DHCD passing the funds through to local jurisdictions, municipalities, and community action agencies. As shown in **Exhibit 3**, the department expects to receive \$180.3 million in federal funds during fiscal 2005. Approximately \$16.8 million in federal funds is utilized in the department's capital PAYGO budget. The remaining \$163.5 million is budgeted in the department's operating budget and used for a variety of purposes. The most significant changes in the budget include an \$8.5 million increase in Section 8 Contract Administration and a \$1.7 million increase in capital funds related to the Community Development Block Grant program (CDBG). The department budgeted \$9.8 million in fiscal 2004 and \$11.4 million in fiscal 2005 due to increases in available funding. One of the more important changes in the administration of federal funds concerns the funding for tenant-based rental assistance. The new Rental Assistance voucher program was announced in HUD's 2005 budget, and it is designed to help housing departments enable more low-income families' transition to self-sufficiency while reducing the number of families on long waiting lists.

Exhibit 3
DHCD – Federal Funds
Fiscal 2003 – 2005
(\$ in Thousands)

<u>Grant</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Working</u> <u>Approp.</u>	<u>FY 05*</u> <u>Allowance</u>	<u>FY 04 - 05</u> <u>Difference</u>	<u>% Change</u>
Section 8 New Construction/Contract Administration	\$95,257	\$125,656	\$134,243	\$8,587	7%
Community Development Block/Small Cities	11,906	9,769	11,430	1,661	17%
Emergency Shelter Grants	536	516	514	-2	0%
HOME Investments Partnership	9,819	8,048	8,614	566	7%
Section 8 Rental Voucher	10,095	10,891	12,155	1,264	12%
Section 8 Moderate Rehab	643	716	685	-31	-4%
Section 8 Rental Certificate	418	460	0	-460	-100%
Lead-based Paint Hazard Control	8,755	0	0	0	n/a
Historic Preservation Fund Grants	693	858	568	-290	-34%
State Highway Administration (ISTEA)	4	0	0	0	n/a
National Park Service – Revolutionary War Survey	4	0	0	0	n/a
National Park Service	94	0	26	26	n/a
Defense Legacy Resource	73	37	109	72	195%
National Endowment for Humanities	61	57	24	-33	-58%
Institute of Museum and Library Services	22	29	5	-24	-83%
Weatherization Assistance – Low Income	2,850	2,832	2,912	80	3%
Community Services Block Grants	9,197	8,529	8,924	395	5%
Community Services Food and Nutrition	56	50	54	4	8%
Health & Human Services	26	0	0	0	n/a
US Army Medical Research	17	34	39	5	15%
Total	\$150,526	\$168,482	\$180,302	\$11,820	7%

The grants in fiscal 2005 are the full grant amount including funds that will be applied to administrative expenses.

ISTEA = Intermodal Surface Transportation Efficiency Act

Source: The Department of Housing and Community Development

HUD Section 8 Contract Funds Not Fully Expended

Beginning in fiscal 2002, DHCD entered into a five-year contract with HUD to manage housing contracts for privately owned Section 8 properties subsidized by HUD. The majority of the contract award, \$134 million, assumes management of approximately 310 properties with an average Section

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8 Housing Assistance Payment of \$35,000 each month. Section 8 payment amounts made to property owners are estimated at the beginning of the HUD-contract year and are adjusted monthly. A review of the department's closeout for fiscal 2003 reveals that approximately \$21.0 million of the federal funds from HUD to administer the program were not expended during the fiscal year. It may be the case that during the first year of DHCD's administration, that all of the contracts with privately owned Section 8 property owners may not have been converted or transferred to the State. **The significant amount of cancellation should be discussed by the agency.**

President Bush's Federal Fiscal 2005 Proposed Budget Reflects Changing Priorities at the Federal Level That Should Impact the State

- **Increasing Homeownership and Affordable Housing:** The President's budget provides a 3.9% increase in HOME Investments Partnership Program funding. A total of \$2.1 billion is being proposed for participating jurisdictions to expand the nation's supply of affordable housing. **DHCD should brief the committees on the progress the State is making to improve the availability of affordable housing and how it is leveraging the federal funding to assist the State's efforts to increase the amount of affordable housing throughout the State.**
- **Housing Choice Voucher Program:** HUD is proposing sweeping reform of the nation's rental assistance voucher program. The reforms are designed to transition more low-income families through the program to independent living, self-sufficiency, and homeownership thereby reducing the number of families on long waiting lists around the country. Major changes to the program include proposing a shift from a unit-based system, which proved to be administratively expensive, to a dollar-based grant program. This change will give the housing department more flexibility to administer the program and hopefully reduce administrative expenses. Currently there are no incentives for families to move off the program towards self-sufficiency. The proposed changes include incentives for families to become self-sufficient. **DHCD should brief the committees on how these proposed changes might improve the efficiency and effectiveness of the department to deliver rental and homeownership subsidies for low-income families.**
- **Community Development Block Grant:** CDBG funds can be used for a broad range of housing revitalization and community and economic development activities including economic revitalization, job creation and retention, neighborhood revitalization, public services, community development, renewal of distressed communities, and leveraging nonfederal resources. In fiscal 2005, DHCD is receiving an additional \$1.6 million in its capital budget related to CDBG program. **DHCD should brief the committees on how the additional CDBG funds will be utilized to benefit the State's communities.**
- **Lead Based Paint Program:** In fiscal 2005, funding for the lead based paint program is proposed to increase 2.2% from \$136 million in 2004 to \$139 million in 2005. Grant funds are targeted to low-income, privately owned homes most likely to expose children to lead-based paint hazards. DHCD was recently awarded a federal grant of \$3.0 million for lead abatement. It was a competitive grant, and DHCD received the maximum award.

Issues

1. The Future of the Heritage Structure Rehabilitation Tax Credit Program

The HSRTC program is scheduled to sunset June 1, 2004. The administration has introduced House Bill 289 and its companion Senate Bill 190 which propose several changes to the existing program and would extend the sunset date to January 1, 2010. House Bill 190 has also been introduced which proposes a grant program as opposed to the existing tax credit structure. **Exhibit 4** provides a brief summary of each bill.

Exhibit 4 Summary of Proposed Heritage Tax Credit Legislation

Proposed Legislation

Highlights

House Bill 289 / Senate Bill 190

Extends sunset date to January 1, 2010, adopts changes regarding claiming of tax credits and audits, and authorizes DHCD to collect fees for application review.

House Bill 679

Creates a grant program which would receive an annual budget appropriation. The structures eligible would be similar to those currently eligible under the existing HSRTC program.

Source: Maryland General Assembly

Under the current HSRTC program, a person may claim a tax credit in an amount equal to 20% of the taxpayer's qualified rehabilitation expenditures for the rehabilitation of a certified heritage structure, for the taxable year in which a certified rehabilitation is completed. In 2003 a cap of \$23.0 million was placed on the amount of tax credits allowed to be claimed by commercial properties. The cap was reduced further in calendar 2004 to \$15.0 million. According to DHCD, from 1997 through 2003, approximately \$131.8 million in tax credits were approved. Of that total approximately \$116.5 million (88% of total) credits were approved for commercial projects and approximately \$15.3 million were approved for noncommercial projects. DLS and DHCD estimate that 92.4% of estimated commercial credits approved are located in Baltimore City.

Governor's Taskforce

In the fall of 2003, the Governor commissioned a task force to study the economic benefits to the State of the HSRTC program. The task force examined the seven-year legislative and administrative history of the tax credit program to determine whether the program generated a revenue loss or gain

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to the State. The task force determined that projects receiving tax credits generally returned the State's investment of tax credits within one year. It was also determined that projects continued to generate revenue to the State and local governments well after the project was completed. Based on the task force's recommendation, the administration has proposed a bill that extends the sunset date from June 1, 2004, to January 1, 2010, and increases the cap on commercial credits approved in a calendar year to \$30.0 million. The maximum amount of credits earned for an individual rehabilitation project cannot exceed (1) \$50,000 for noncommercial projects; and (2) \$3.0 million for commercial projects. The bill also makes changes to the certification and application processes and authorizes DHCD to charge fees to cover administrative costs. The Governor has included contingent language in the budget bill reducing general funds in the Preservation Services Program by \$400,000 contingent on enactment of the legislation extending the termination date for the HSRTC program and authorizing DHCD to charge a fee to certify heritage structures. The Comptroller's Office is authorized to examine and audit returns claiming the credit.

House Bill 679 has also been introduced and creates a Maryland Heritage Structure Rehabilitation grant program. The amount of grant provided for commercial rehabilitation and owner-occupied residential grants will be provided in the State budget each year. The structures eligible for the program would be similar to those that are currently eligible for tax credits under the Maryland HSRTC. It is proposed that the amount of the grant be equal to 20% of certified rehabilitation expenditures, not to exceed \$3 million for commercial projects and \$25,000 for noncommercial projects. The grant program is retaining the essential nature of the existing tax credit program; however, since the grant will be a line item in the budget, the State will have greater control over the expense of the program. Additionally, the grant process will be a competitive award and will increase the geographical distribution of the heritage rehabilitation projects. **DLS recommends that DHCD brief the committees on the benefits and disadvantages of continuing the HSRTC Program and whether the program would be better served as a grant program.**

Recommended Actions

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 1. Reduce funds available for turnover expectancy to better reflect the number of actual vacancies. The general fund reduction shall be allocated among divisions. | \$ 450,000 GF |
| 2. Adopt the following narrative: | |

Annual Report Itemizing the Distribution of Grants: The Department of Housing and Community Development (DHCD) distributes a significant amount of grant funds from its annual operating budget to various State and local governments and numerous private entities. The proposed fiscal 2005 budget would distribute approximately \$170.7 million in grants. The committees request that DHCD provide an annual report which itemizes the distribution of grants made in the amount of \$25,000 or more from each of the department's operating budget programs. For the fiscal 2003 and 2004 actual budget, the report should list each grant recipient, the amount of each individual grant awarded, and a description of how the funds were utilized by the recipient. To the extent possible, the annual report should provide similar information for the fiscal 2005 working appropriation. The report shall be made available to the committees by October 1, 2004, and annually thereafter.

Information Request	Author	Due Date
Grant Distribution Annual Report	DHCD	October 1, 2004

Total General Fund Reductions	\$ 450,000
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Updates

Maryland Heritage Area Program Review

Committee narrative included in the 2003 *Joint Chairmen's Report* required DHCD to conduct a five-year strategic plan for the development of certified and recognized State heritage areas. A review of the report provides the following information. The Maryland Heritage Preservation and Tourism Area Program was established by legislation in 1996 to foster heritage tourism through the creation of additional historic and cultural destinations within the State. In the last six years, the program has expanded to include nine certified heritage areas and another three recognized heritage areas. Funding is provided through an annual \$1.0 million dedicated transfer from the State's transfer tax to the Maryland Heritage Areas Authority (MHAA). Since inception MHAA has awarded nearly \$4.4 million in grants, which has leveraged about \$2.5 million from local governments, over \$2.5 million from the private sector, and more than \$600,000 in additional federal funds. According to a financial analysis provided by the report, the return on investment in the seven most mature heritage areas during the first full year of operations generated \$248 million in total economic expenditures, 3,364 full-time equivalent jobs, \$68.6 million in wages and salaries, and an estimated \$17 million in State and local taxes. Since a majority of the visitors (about 70%) visit sites in the Baltimore City Heritage Area, the overall economic and fiscal impacts of the seven certified heritage areas are heavily influenced by the tourism activity in Baltimore. **Exhibit 5** provides an overview on the return on investment for the first full year of operations after the construction phase for the seven oldest Maryland certified heritage areas.

Exhibit 5 Return on Investment Overview

<u>Heritage Area</u>	<u>Total Grant Award</u>	<u>Total Development Costs</u>	<u>Annual Full-time Equivalent Jobs</u>	<u>Annual State and Local Tax Receipts</u>	<u>Return on Investment</u>
Canal Place	\$623,500	\$1,384,755	96	\$546,885	\$0.88
Baltimore City	586,330	2,054,882	2,370	16,038,577	27.35
Annapolis, Londontown, and South County	787,044	1,646,894	459	2,972,148	3.78
Anacostia Trail	451,600	1,213,526	240	1,364,453	3.02
Lower Susquehanna	725,893	1,627,083	119	668,332	0.92
Lower Eastern Shore	307,680	669,859	65	311,142	1.01
Heart of Chesapeake	195,893	392,286	16	87,545	0.45
Total	\$3,677,940	\$8,989,288	3,364	\$21,989,082	\$4.61

Source: DHCD Office of Research

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The heritage area management entities have estimated their need at \$300,000 per certified heritage area per year. Total needs are estimated at \$2.7 million to \$3.3 million per year over the next five years. Currently, the program is only being funded at \$1.0 million per year which is insufficient to support the project initiatives envisioned by MHAA.

Future Initiatives

The program is currently operating with a minimum level of staffing, which is severely limiting the program's ability to give full support to the efforts on the local level. The long-term effectiveness of this program is compromised by this lack of resources. MHAA and local heritage area management would like to implement several initiatives; however, lack of funding and availability of staff preclude their full-time implementation at this time. The following list highlights some of the initiatives:

- Introduction of a technical assistance program for businesses in certified heritage areas enabling them to benefit from tourism activity.
- Development of a "Designation program" that would create more business partnerships with the heritage areas, including advertising on the official web site, promotion in official materials, and using the heritage area logo and trademarks in their own marketing.
- Issuance of bonds – to date no revenue-generating project has been large enough to warrant bond issuance.

Considering the heritage areas program is expecting to continue to grow over the next several years to 11 certified heritage areas, the current level of funding already considered inadequate is not going to be able to support even basic operations. The report suggests that as soon as economically viable, funding for the program should be increased.

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 2003					
Legislative Appropriation	\$14,929	\$23,667	\$148,416	\$299	\$187,311
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,519	-4,500	1,130	-851
Cost Containment	-776	0	0	0	-776
Reversions and Cancellations	-2	-322	-21,125	-45	-21,494
Actual Expenditures	\$14,151	\$25,864	\$122,791	\$1,384	\$164,190
Fiscal 2004					
Legislative Appropriation	\$9,923	\$25,609	\$153,526	\$734	\$189,792
Cost Containment	-949	0	0	0	-949
Budget Amendments	0	3,050	0	0	3,050
Working Appropriation	\$8,974	\$28,659	\$153,526	\$734	\$191,893

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

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Fiscal 2003

DHCD finished fiscal 2003 approximately \$23 million below its legislative appropriation. The impact of fiscal 2003 cost containment measures and significant budget amendments are provided below.

General Funds: The department's total general fund expenditure for fiscal 2003 was reduced through cost containment measures by approximately \$776,000. Significant reductions include \$450,000 from the Division of Development Finance, specifically a \$280,000 reduction in the Rental Allowance program and \$100,000 reduction in the Self-Help Housing grants. Other significant highlights include a \$155,000 reduction to Historical and Cultural Programs and \$92,000 reduction to the Division of Neighborhood Revitalization.

Special Funds: The actual fiscal 2003 special fund expenditures were approximately \$2.2 million greater than the legislative appropriation. Significant adjustments consisted of an increase of \$2.5 million through budget amendments and \$322,000 in cancellations.

Budget Amendments:

<u>Purpose</u>	<u>Source of Funds</u>	<u>Amount</u>
To cover the full amount of grants that were awarded by the MAHT Board of Trustees.	Existing fund balance of MAHT	\$1,446,000
To fund awarded grants in the July and October MHAA grant rounds.	MHAA	1,073,000
Total		\$2,519,000

Federal Funds: The actual fiscal 2003 federal fund expenditure was approximately \$25.6 million less than the legislative appropriation. Significant adjustments consisted of a \$21.1 million cancellation, due to fewer projects being assigned to DHCD for administration of HUD Project-Based Section 8 Contracts than was originally projected by DHCD. DHCD budgeted for 300 contracts; however, HUD only turned over approximately 250 contracts.

Reimbursable Funds: The actual fiscal 2003 reimbursable fund expenditure was approximately \$1.1 million greater than the legislative appropriation due to budget amendments. The following table lists the divisions where the significant funds were expended.

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<u>Funds Disbursed To</u>	<u>Amount</u>
Division of Credit Assurance	\$11,472
Division of Historical and Cultural Programs	392,877
Division of Neighborhood Revitalization	109,000
Division of Development Finance	616,261
Total	\$1,129,610

Fiscal 2004

DHCD's fiscal 2004 working appropriation is approximately \$2.1 million more than its legislative appropriation. The impact of fiscal 2004 cost containment measures and significant budget amendments are provided below.

Budget Amendments: Budget amendments increased the working appropriation by \$3.1 million. \$2.3 million in special funds was transferred from the Maryland Affordable Housing Trust to replace general funds that were deleted in fiscal 2003, and \$750,000 to cover personnel expenses in the support units. The personnel expenses were formally supported with general funds that were eliminated from the budget by budget bill language requiring DHCD to use available special fund balances instead.

General Fund: The fiscal 2004 cost containment measures applied to DHCD total \$949,368, or 10% of the department's fiscal 2004 general fund appropriation. A summary of the reductions is as follows:

- A reduction in the amount of \$703,394 was taken to abolish 14 vacant positions. Three vacancies in the IT division, two in Neighborhood Revitalization, five in the Division of Historical and Cultural Programs, three in the Office of Secretary, and one in Finance and Administration. No decrease in current service levels is expected.
- General fund support in the amount of \$59,590 was eliminated for two positions in the Neighborhood Revitalization Program and replaced by special and federal funds.
- General fund salary expenses in the amount of \$186,384 were eliminated in the Division of Historic and Cultural Programs and replaced with special, federal, and reimbursable funds available from outside contract revenue and existing Heritage Area Fund balance.

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	402.15	392.90	392.90	0	0%
02 Contractual	49.95	70.89	61.74	-9.15	-12.9%
Total Positions	452.10	463.79	454.64	-9.15	-2.0%
Objects					
01 Salaries and Wages	\$ 25,464,928	\$ 24,326,707	\$ 25,218,019	\$ 891,312	3.7%
02 Technical & Spec Fees	2,039,594	2,554,493	2,581,696	27,203	1.1%
03 Communication	479,511	553,632	580,466	26,834	4.8%
04 Travel	370,903	337,939	366,122	28,183	8.3%
06 Fuel & Utilities	187,065	209,143	198,457	-10,686	-5.1%
07 Motor Vehicles	111,639	123,300	97,687	-25,613	-20.8%
08 Contractual Services	9,562,319	7,940,094	9,896,629	1,956,535	24.6%
09 Supplies & Materials	419,699	404,507	389,004	-15,503	-3.8%
10 Equip - Replacement	299,789	321,468	306,949	-14,519	-4.5%
11 Equip - Additional	212,789	209,849	180,317	-29,532	-14.1%
12 Grants, Subsidies, Contracts	123,593,124	153,638,234	160,853,865	7,215,631	4.7%
13 Fixed Charges	1,190,648	1,273,258	1,340,398	67,140	5.3%
14 Land & Structures	258,061	0	0	0	0.0%
Total Objects	\$ 164,190,069	\$ 191,892,624	\$ 202,009,609	\$ 10,116,985	5.3%
Funds					
01 General Fund	\$ 14,151,426	\$ 8,974,427	\$ 9,301,992	\$ 327,565	3.6%
03 Special Fund	25,863,750	28,658,617	28,016,214	-642,403	-2.2%
05 Federal Fund	122,790,647	153,525,789	163,458,827	9,933,038	6.5%
09 Reimbursable Fund	1,384,246	733,791	1,232,576	498,785	68.0%
Total Funds	\$ 164,190,069	\$ 191,892,624	\$ 202,009,609	\$ 10,116,985	5.3%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

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

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Office of the Secretary	\$ 2,685,622	\$ 2,097,616	\$ 2,309,959	-14.0%	\$ 2,660,296	15.2%
02 Maryland Affordable Housing Trust	2,670,450	2,800,000	2,800,000	4.9%	2,000,000	-28.6%
03 Office of Management Services	2,386,156	2,394,169	2,253,784	-5.5%	2,153,568	-4.4%
01 Maryland Housing Fund	422,959	467,108	458,520	8.4%	441,957	-3.6%
02 Asset Management	3,996,405	4,602,521	4,358,159	9.1%	4,368,132	0.2%
03 Maryland Building Codes Administration	675,070	608,233	608,233	-9.9%	620,949	2.1%
01 Management and Planning	4,197,213	2,715,664	2,585,186	-38.4%	2,546,109	-1.5%
02 Office of Museum Services	3,866,551	3,487,420	3,265,568	-15.5%	3,219,237	-1.4%
04 Research, Survey and Registration	997,091	834,741	788,071	-21.0%	858,373	8.9%
05 Preservation Services	831,939	838,213	788,698	-5.2%	818,957	3.8%
01 Neighborhood Revitalization	14,442,555	12,486,794	12,761,256	-11.6%	13,274,433	4.0%
01 Administration	2,084,398	2,204,593	2,238,359	7.4%	2,291,329	2.4%
02 Housing Development Program	3,592,477	3,678,379	4,130,875	15.0%	3,672,613	-11.1%
03 Homeownership Programs	1,575,030	1,372,221	1,362,171	-13.5%	2,000,434	46.9%
04 Special Loan Programs	4,768,011	5,127,168	5,123,440	7.5%	5,618,919	9.7%
05 Rental Services Program	106,395,485	136,914,030	138,714,030	30.4%	147,791,914	6.5%
01 Information Technology	2,963,458	2,907,292	2,960,484	-0.1%	3,169,555	7.1%
02 Information Technology Major IT Projects	1,158,325	0	0	-100.0%	0	0%
01 Finance and Administration	4,480,874	4,255,830	4,385,831	-2.1%	4,502,834	2.7%
Total Expenditures	\$ 164,190,069	\$ 189,791,992	\$ 191,892,624	16.9%	\$ 202,009,609	5.3%
General Fund	\$ 14,151,426	\$ 9,923,794	\$ 8,974,427	-36.6%	\$ 9,301,992	3.6%
Special Fund	25,863,750	25,608,616	28,658,617	10.8%	28,016,214	-2.2%
Federal Fund	122,790,647	153,525,788	153,525,789	25.0%	163,458,827	6.5%
Total Appropriations	\$ 162,805,823	\$ 189,058,201	\$ 191,158,833	17.4%	\$ 200,777,033	5.0%
Reimbursable Fund	\$ 1,384,246	\$ 733,791	\$ 733,791	-47.0%	\$ 1,232,576	68.0%
Total Funds	\$ 164,190,069	\$ 189,791,992	\$ 191,892,624	16.9%	\$ 202,009,609	5.3%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.