

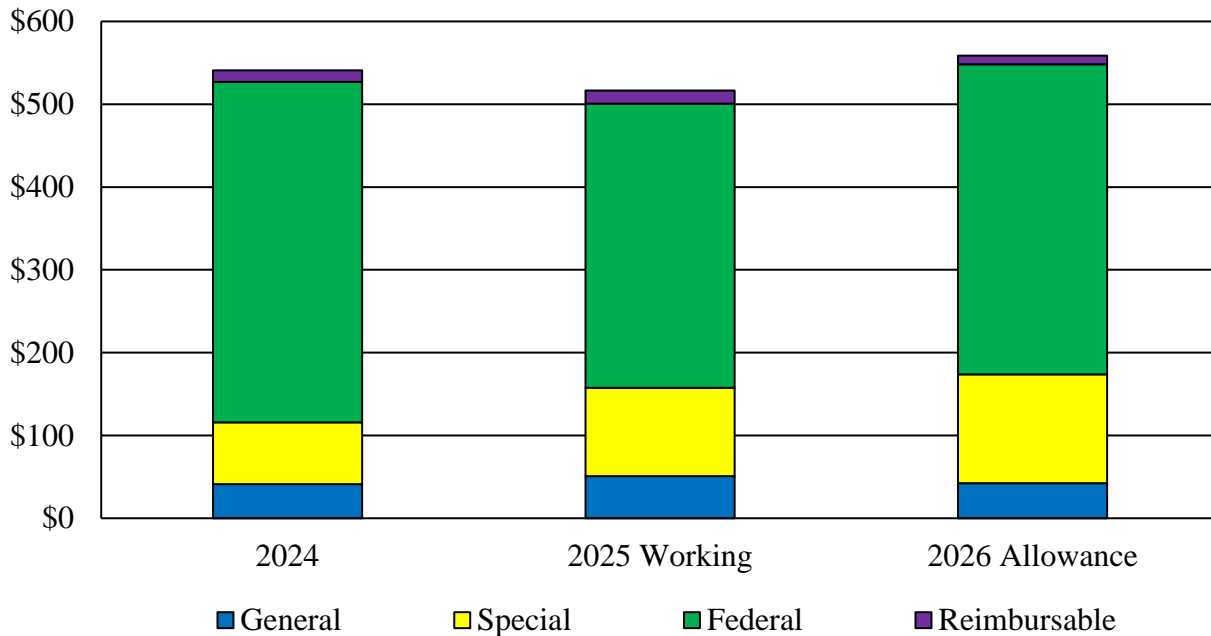
S00A
Department of Housing and Community Development

Executive Summary

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. 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.

Operating Budget Summary

**Fiscal 2026 Budget Increases \$42 Million, or 8.1%, to \$558.6 Million
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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S00A – Department of Housing and Community Development

- Overall, DHCD’s fiscal 2026 allowance increases by \$42 million, or 8.1%, compared to the fiscal 2025 working appropriation after accounting for proposed deficiency appropriations.
- Special funds increase by \$24.7 million in the fiscal 2026 allowance, or 18.8%, compared to fiscal 2025, primarily due to a \$24.5 million increase in EmPOWER Maryland in order to meet the legislative targets established by Public Utilities Article 7-224. However, reimbursable funds decrease for the fiscal 2026 allowance by \$5.9 million, or 57.2%, compared to fiscal 2025, primarily due to a \$5.7 million decrease in the reimbursable funds from the Department of Human Services (DHS) for Housing and Building Energy Programs.
- Proposed deficiency appropriations total \$2.9 million and include \$1 million of special funds to backfill a reduction for the Operating Assistance Grants due to the availability of special funds for this purpose, which occurred through cost containment reductions approved by the Board of Public Works (BPW) in July 2024. Other notable proposed deficiency appropriations include \$768,590 in reimbursable funds for the Maryland Department of Health Developmental Disabilities Administration rent subsidy program and \$500,000 in federal funds to support the Homeowner Assistance Fund Critical Repair Program.

Key Observations

- ***Homelessness in Maryland Is Increasing but Still Below Prepandemic Levels:*** Between January 2023 and January 2024, Maryland’s homeless count increased by 3% to 6,059, the third consecutive year of increases. Despite these increases, the number of homeless individuals in Maryland in January 2024 is 28% below the January 2015.
- ***Broadband:*** The Office of Statewide Broadband (OSB), established by Chapter 74 of 2021, has expanded responsibilities and received a significant amount of federal funds to develop broadband infrastructure. Several programs have been funded through the American Rescue Plan Act (ARPA) and have until December 2026 to fully expend their encumbered amounts. Programs supported through the Infrastructure Investment and Jobs Act (IIJA) are still operational despite reduced funding.
- ***Failure-to-pay Rent Evictions and Foreclosures:*** Between October 2019 and December 2024, the number of failure-to-pay-rent cases decreased and remains below prepandemic levels. In contrast, evictions increased beyond prepandemic levels until the third quarter of calendar 2023. The number of evictions has remained fairly consistent in calendar 2024 after decreasing at the end of calendar 2023. Notices of Intent to Foreclose (NOI) in calendar 2024 exceeded prepandemic levels, while Notices of Foreclosure (NOF) remained below prepandemic levels and continued to decrease throughout calendar 2024.

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce 1.0 position identification number from the Division of Neighborhood Revitalization, Historic Property Complexes.	-\$155,581	-1.0
Total Net Change	-\$155,581	1.0

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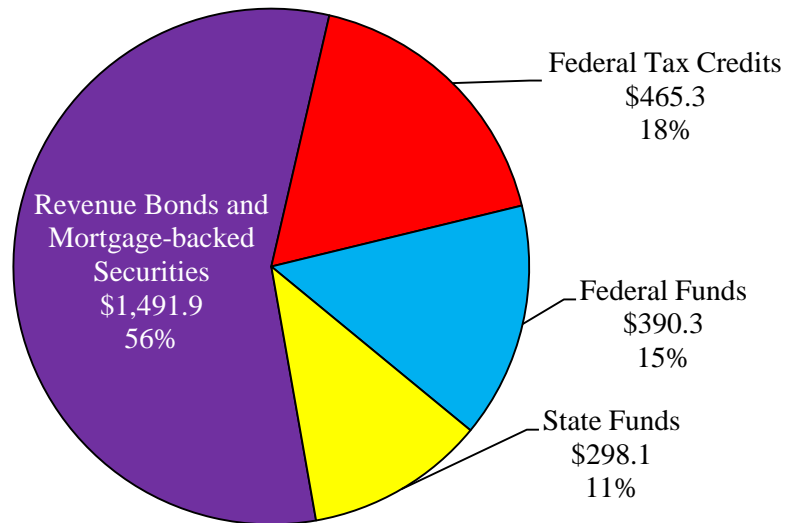
Operating Budget Analysis

Program Description

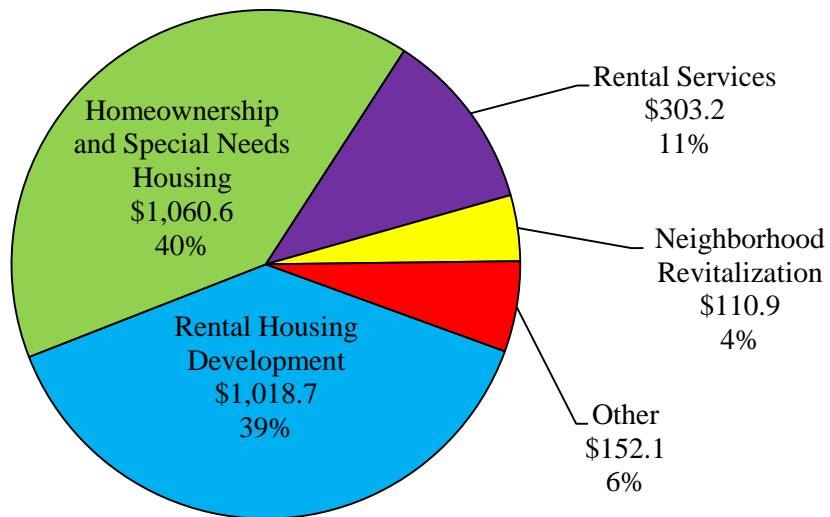
DHCD uses both budgeted and nonbudgeted funds to address Maryland's housing needs. **Exhibit 1** shows the sources and uses of DHCD's funding in fiscal 2024. Approximately 74% of DHCD's funding in fiscal 2024 came from nonbudgeted revenue bonds, securities, or tax credits. DHCD's budgeted federal and State funds account for 15% and 11% of the department's total funding, respectively. DHCD's funding from all sources totaled \$2.6 billion in fiscal 2024, increasing by 19.2% from fiscal 2023. The largest increase occurred in revenue bonds and securities, an increase of 37.5%. Homeownership and Special Needs Housing overtook Rental Housing Development as the largest component of DHCD's expenditures in fiscal 2024, accounting for 40% of expenditures.

Exhibit 1
Sources and Uses of DHCD’s Operating and Capital Budgets
Fiscal 2024
(\$ in Millions)

Sources of Funding



Uses of Funding



DHCD: Department of Housing and Community Development

Note: Other includes Housing Energy Efficiency, Local Government and Business Lending, Statewide Broadband, and Homeless Solutions.

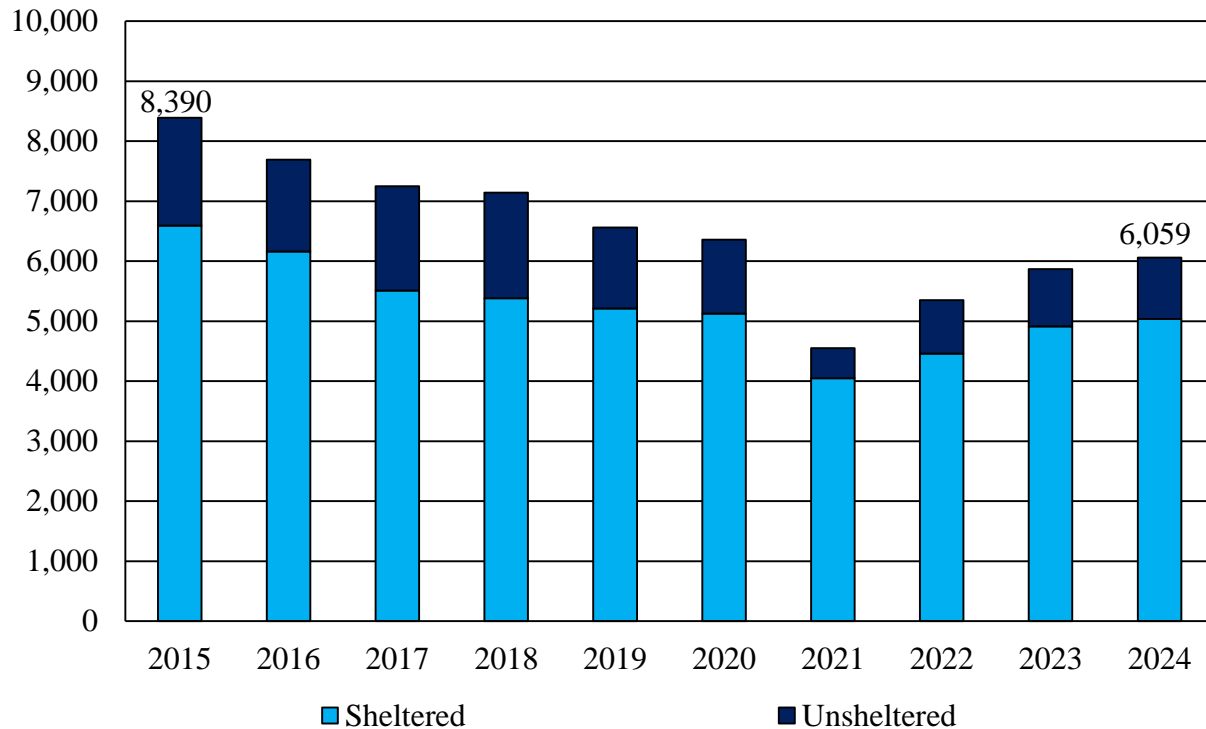
Source: Department of Housing and Community Development

Performance Analysis: Managing for Results

1. Homelessness in Maryland Increasing but Still Below Prepandemic Level

As shown in **Exhibit 2**, the number of homeless individuals identified in Maryland during the annual point-in-time count has increased in each of the last three years but remains below the January 2020 level. From January 2023 to January 2024, Maryland’s count of homeless individuals increased by 3% to 6,059 compared to an 18% increase nationally. Of homeless individuals in Maryland, 58% are Black, 20% are under the age of 18, and 8% are veterans. Overall, this measure of Maryland’s homelessness levels declined by 28% from calendar 2015 to 2024, while homelessness nationally increased by 37%. It is important to note that this number is a count of the homeless population on a single night each January and underrepresents the total number of Marylanders that experience homelessness or housing insecurity throughout the year.

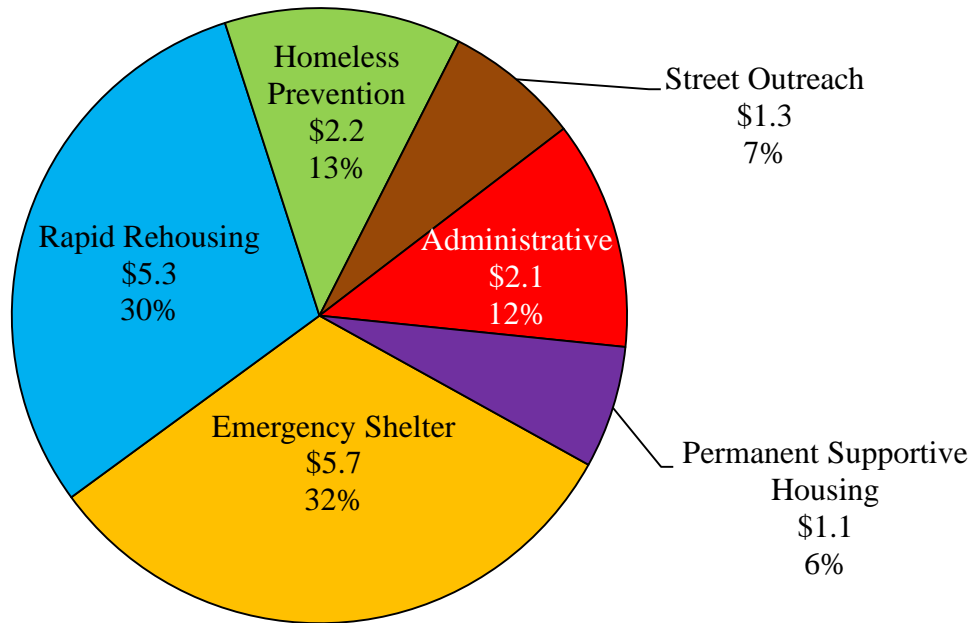
Exhibit 2
Homeless Individuals in Maryland
January 2015 to January 2024 Point-in-time Counts



Source: U.S. Department of Housing and Urban Development

For the Homelessness Solutions Program (HSP), the fiscal 2026 allowance includes \$19.1 million in general funds, a decrease of \$500,000 compared to what was appropriated in fiscal 2025. DHCD awards funding to local Continuums of Care (CoC) through a consolidated HSP funding application, and the CoCs use the funds to provide services such as shelter operations, street outreach, rapid rehousing, and homelessness prevention. As of January 2025, HSP has allocated \$18.3 million in fiscal 2025 to homeless services, with \$17.8 million being distributed to CoC’s. **Exhibit 3** shows the allocation of the \$17.8 million by purpose with more than half allocated for emergency shelter or rapid rehousing.

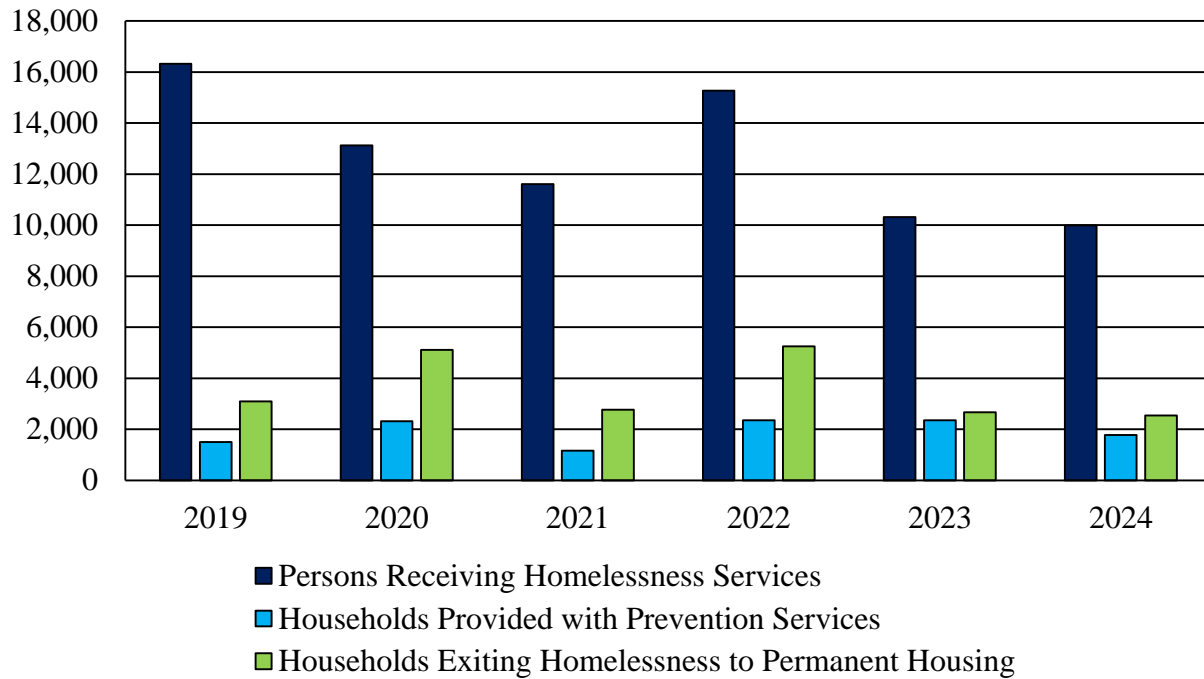
Exhibit 3
Homelessness Solutions Program Funding by Purpose
Fiscal 2025
(\$ in Millions)



Source: Department of Housing and Community Development

As shown in **Exhibit 4**, HSP provided assistance to 9,985 people in fiscal 2024 who were homeless or at risk of homelessness, a 3% decrease compared to the 10,312 people assisted in fiscal 2023. The number of people exiting homelessness to permanent housing similarly decreased by approximately 4.6% between fiscal 2023 and 2024. The number of households receiving prevention services has fluctuated year to year and, in fiscal 2024, was 24% lower than in fiscal 2023.

**Exhibit 4
Homeless or At-risk of Homelessness Served
Fiscal 2019-2024**



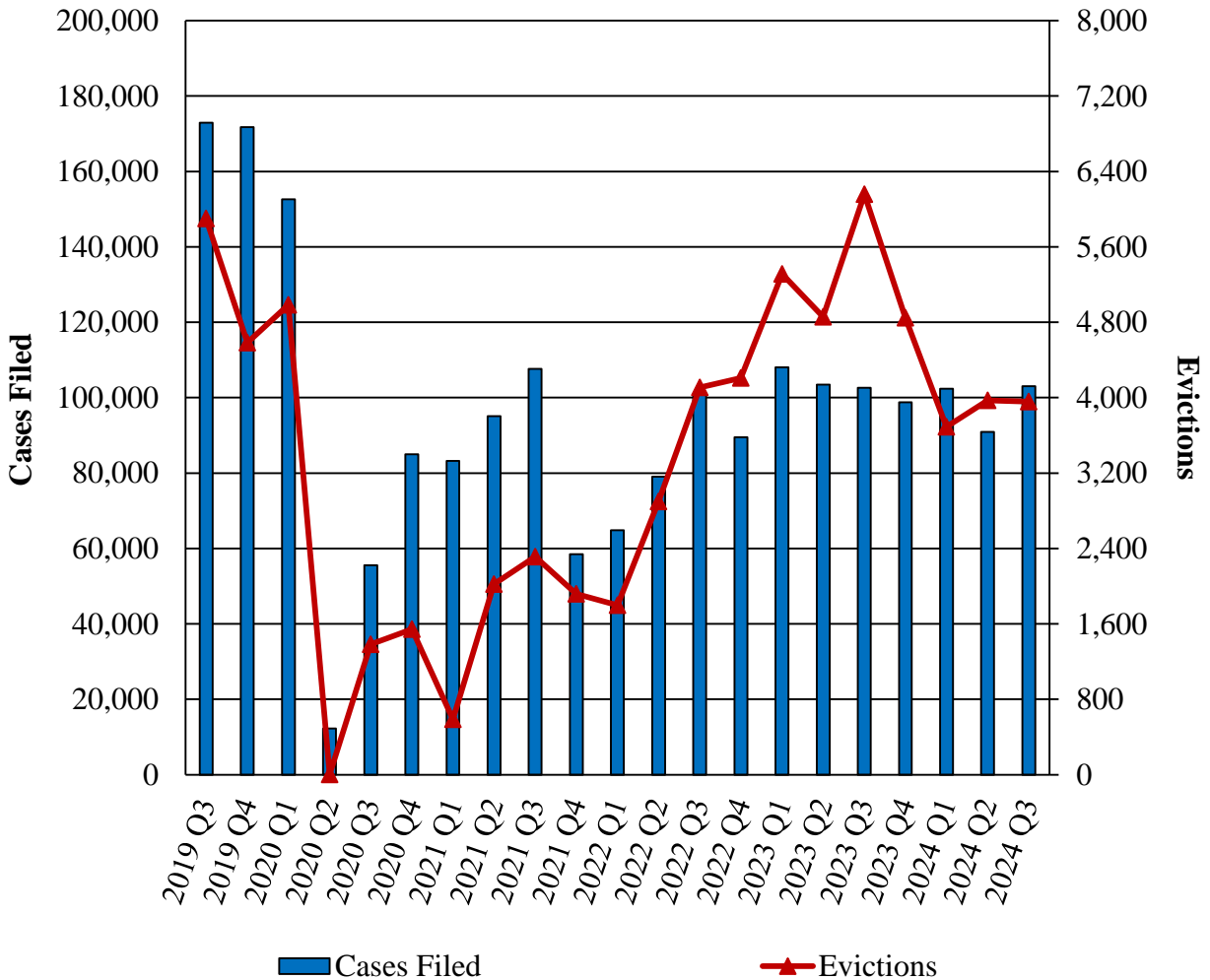
Source: Department of Budget and Management; Department of Housing and Community Development

DHCD should discuss the reasons for the decrease in persons receiving homelessness services and households exiting homelessness to permanent housing.

2. Failure-to-pay Rent Evictions and Foreclosures

Exhibit 5 shows the number of failure-to-pay-rent cases filed and the evictions that took place across the State from October 2019 to September 2024. Eviction filings and evictions were both suppressed during the COVID-19 pandemic due to the availability of emergency rental assistance as well as court closures. The number of evictions slowly began increasing between the second quarter of calendar 2020 until the first quarter of calendar 2022, going from 1 single eviction to 1,798 and further increasing to 6,157 in the third quarter of calendar 2023. Evictions began to decrease in the fourth quarter of 2023 and continued into the first quarter of 2024 but have since remained relatively stable from that point, staying around 3,900. Lower case filings may be due in part to the requirement established by Chapter 746 of 2021 that landlords must provide written notice to tenants 10 days in advance of filing, during which time the tenant may pay the rent due.

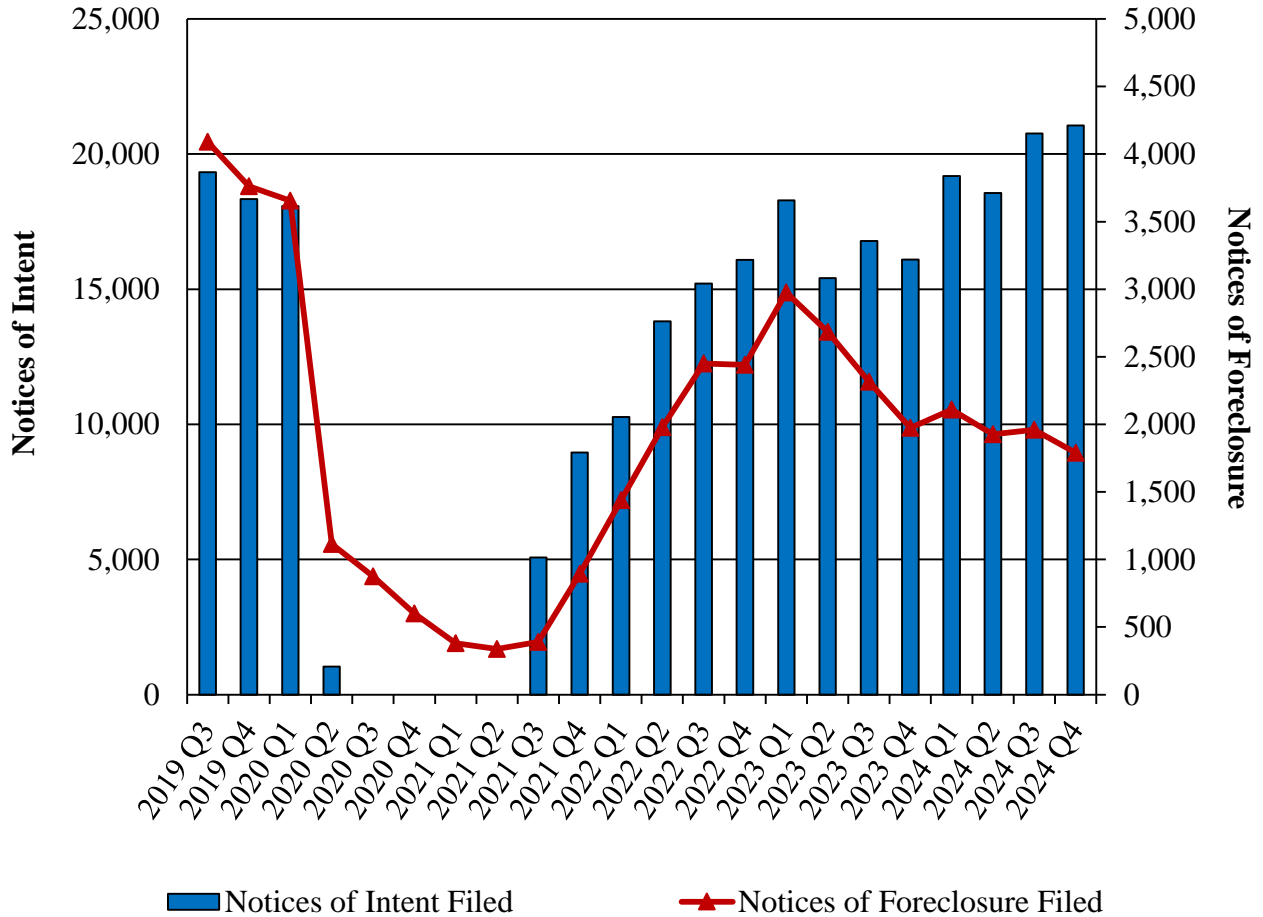
**Exhibit 5
Failure-to-pay-rent Cases and Evictions
October 2019 to September 2024**



Source: District Court of Maryland

Exhibit 6 shows the number of NOIs and NOFs filed in Maryland with the Office of the Commissioner of Financial Regulation. Federal and State actions during the pandemic provided mortgage forbearance and limited the processing of foreclosures. Both measures increased sharply following the end of protections in June 2021 but had generally remained below prepandemic levels until calendar 2024, when NOIs increased above 20,000. In the fourth quarter of calendar 2024, NOIs totaled 21,057, 15% higher than in the fourth quarter of calendar 2019. Despite the increase in NOIs, NOFs decreased by 40% between the first quarter of calendar 2023 and fourth quarter of calendar 2024. NOFs have not returned to the levels of fiscal 2019, even at in the first quarter of calendar 2023, which was the highest point since the pandemic.

**Exhibit 6
Foreclosure Measures
October 2019 to December 2024**



Note: A Notice of Intent to Foreclose (NOI) is a written notice sent by a lender to a borrower to initiate the foreclosure process once the borrower is delinquent or otherwise in contractual default. Foreclosure can occur as early as 45 days after an NOI. A Notice of Foreclosure (NOF) is submitted to the Office of the Commissioner of Financial Regulation (OCFR) within 7 days of the initial court filing and starts the legal foreclosure process. Not all NOF filings result in actual foreclosures, as a case can be dismissed if, for example, the borrower reaches an agreement with the lender. Per executive order, OCFR did not accept NOIs from April 3, 2020, through June 30, 2021.

Source: Maryland Department of Labor

Fiscal 2025

Cost Containment

BPW approved various cost containment actions in July 2024. Among these actions were three impacting DHCD. One deleted \$250,000 that was added in § 21 of the fiscal 2025 Budget Bill for the Office of the Secretary, which was to be used to conduct a study on the potential of commercial community land trusts (CCLT) in order to preserve small businesses in Maryland communities. This study was intended to look at both types of markets and determine what could be appropriate for CCLTs as well as make policy recommendations needed to launch CCLTs.

A second action reduced \$1 million in the Division of Neighborhood Revitalization to replace funds for the Operating Assistance Grant with an alternate fund source. A proposed deficiency appropriations replaces these funds with special funds from the General Bond Reserve Fund.

A third reduction of \$2.5 million for the Statewide Rental Assistance Voucher Program occurred due to startup delays.

Implementation of Legislative Priorities

Section 21 of the fiscal 2025 Budget Bill added a total of \$14.1 million in general funds in DHCD's operating budget; however, as noted, actions approved by BPW deleted \$250,000 from these additions. An addition of \$5 million was provided to support the Rental Assistance for Community School Families program established by Chapters 210 and 211 of 2024. The program funds are able to be used for rental payments or utility payments, including arrears, fines, or fees, and relocation assistance. Eligible households can receive assistance for up to 12 months but may be able to receive an additional 3 months in certain circumstances. Eligible households are those enrolled in a community school that receives funding under the Concentration of Poverty School Grant Program and are from a household that is a rental property where at least one member is at risk of homelessness or housing instability or where at least one member qualifies for assistance under a certain federal program. **DHCD should comment on the planned use of funds for the Rental Assistance for Community School Families.**

Exhibit 7 shows the remaining funding additions and includes a description describing the status of the use of the funds. All the listed additions were appropriated from the general fund with none continuing in the fiscal 2026 allowance.

Exhibit 7
Legislative Additions
Fiscal 2025
(\$ in Thousands)

<u>Description</u>	<u>Amount</u>	<u>Status</u>
Emergency rental assistance	\$5,000	There has been \$102,000 awarded, with an additional \$2.2 million encumbered
Operating grant for BRNI	1,600	As of February 2025, \$1.5 million has been awarded, with the rest to be awarded in the third quarter of 2025
Operating grant for the National Capital Strategic Development Program	1,000	Preparing to award grant in the third quarter of fiscal 2025
Support the operation of Angel’s Watch Emergency Family Shelter	500	Awarded and encumbered in December 2024
Grant to the Prince George’s Gateway Development Authority in compliance of Chapters 466 and 467 of 2023	250	Awarded and encumbered in January 2025
Grant to BRNI for the Coppin Heights Community Development Corporation	240	Preparing to award grant in the third quarter of fiscal 2025
Grant to Belair-Edison Neighborhoods, Inc.	85	Awarded and encumbered in October 2024
Grant to the Huntington City Community Development Corporation	75	Awarded and encumbered in November 2024
Grant to BRNI for the Mount Pleasant Development Corporation	50	Awarded and encumbered in January 2025
Grant to ReBUILD Metro, Inc.	20	Awarded and encumbered in January 2025

BRNI: Baltimore Regional Neighborhood Initiative

Source: Department of Housing and Community Development

Proposed Deficiency

As shown in **Exhibit 8**, DHCD received a total of \$2.9 million in deficiencies in their fiscal 2025 appropriation, of which \$1.1 million is in federal funds, and an additional \$1.1 million is in special funds.

Exhibit 8
Fiscal 2025 Deficiencies
Fiscal 2025
(\$ in Thousands)

<u>Program</u>	<u>Purpose</u>	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>RF</u>	<u>Total</u>
Division of Development Finance	To provide additional funds for the Homeowner Assistance Fund Critical Repair Program and DDA rent subsidy program.			\$500	\$769	\$1,269
Division of Neighborhood Revitalization	To backfill funding for Operating Assistance Grants reduced through cost containment actions based on the availability of special funds.		\$1,000			1,000
Rental Services Program	To fund additional grants under the Victims of Crime Act Program.	\$307				307
Rental Services Program	To fund housing accommodations provided under Chapter 77 of 2021, the Walter Lomax Act.	141				141
Division of Just Communities	Adds \$63,000 to fund new contracts for the division and \$15,000 to fund a planning contract with Urban American Cities.		78			78
CoC Program	For CoC due to a grant from HUD.			55		55
Division of Broadband	Replaces general funds with available federal funds.	-499		499		0
Total by Fund Source		-\$51	\$1,078	\$1,054	\$769	\$2,850

CoC: Continuum of Care
 DDA: Developmental Disabilities Administration
 HUD: US Department of Housing and Urban Development
 FF: federal funds

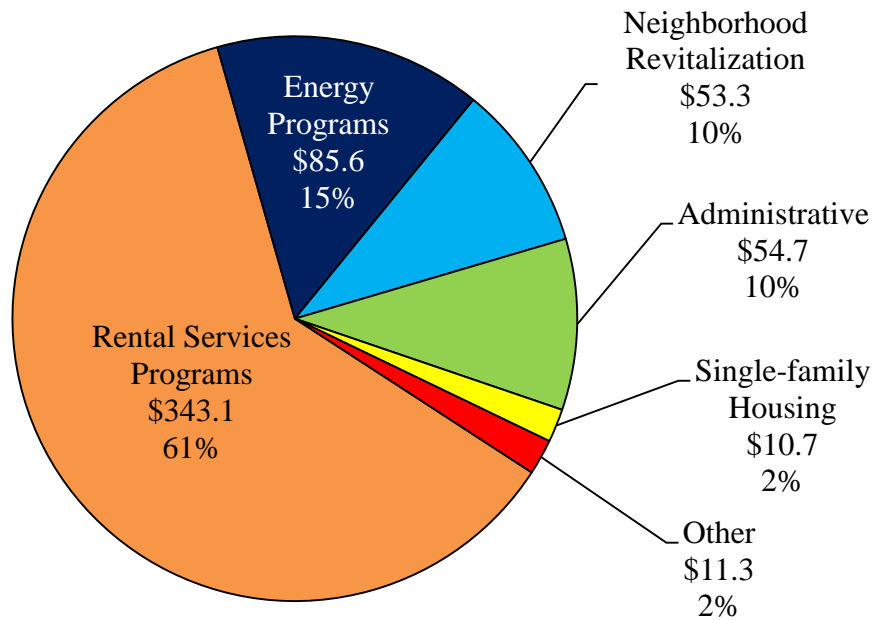
GF: general funds
 RF: reimbursable funds
 SF: special funds

Source: Governor’s Budget Books

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance of DHCD totals \$558.7 million. As shown in **Exhibit 9**, the Rental Services Program accounts for the majority of the planned spending (61%). The primary purpose of the program is to administer project-based rental assistance and monitor low-income housing across the State for compliance with federal requirements under a contract with the U.S. Department of Housing and Urban Development. The second largest share consists of energy programs (15% of the allowance), which includes EmPOWER Maryland, the Weatherization Assistance Program (WAP), and the Maryland Energy Assistance Program. The Division of Neighborhood Revitalization comprises 10% of the fiscal 2026 allowance; the division offers a range of loans, grants, or technical assistance with local stakeholders with a focus on revitalizing communities in need.

Exhibit 9
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 10**, the fiscal 2026 allowance increases by \$42 million compared to the fiscal 2025 working appropriation after accounting for deficiency appropriations. This is primarily due to an increase in energy programs, such as EmPOWER Maryland, and rental programs, such as the Statewide Voucher Assistance Program. In addition, funding for the Maryland Affordable Housing Trust increases by \$2.6 million to provide additional grants for eligible applicants.

**Exhibit 10
Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)**

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$41,229	\$74,698	\$410,916	\$14,027	\$540,870
Fiscal 2025 Working Appropriation	50,986	106,511	343,040	16,176	516,714
Fiscal 2026 Allowance	<u>42,446</u>	<u>131,239</u>	<u>374,687</u>	<u>10,292</u>	<u>558,664</u>
Fiscal 2025-2026 Amount Change	-\$8,540	\$24,727	\$31,647	-\$5,884	\$41,950
Fiscal 2025-26 Percent Change	-16.7%	23.2%	9.2%	-36.4%	8.1%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025 cost-of-living adjustment and increments.....	\$4,780
Employee and retiree health insurance	257
Increase in reclassifications for use adjustments to regular wages.....	234
Funding for 1 new position.....	170
Workers’ compensation	75
Decrease in miscellaneous adjustments due to budget amendment addition in fiscal 2025.....	-64
Turnover rate increases from 5.07% to 5.71%	-379
Rental Assistance	
Rental subsidies under Section 8 administration contract (9% increase)	25,000
Section 8 Housing Choice Voucher Program.....	5,500
Statewide Voucher Assistance Program restoration of mandated funding (Chapter 446 of 2023) after cost containment reduction	2,500
Emergency Rental Assistance Program remaining funds allocated in fiscal 2026	-1,754

S00A – Department of Housing and Community Development

Where It Goes:	<u>Change</u>
Energy Programs	
Increase in EmPOWER Maryland to meet legislative targets established by Public Utilities Article 7-224, includes associated programs, the Maryland Energy Efficiency Tune-Up Program, and EmPOWER Energy Kits	25,236
Maryland Energy Assistance Program receiving reduced funding from DHS.....	-5,982
Broadband Programs	
Expansion of network infrastructure and broadband.....	1,123
IJA Broadband Equity administration.....	563
Broadband digital equity grant funding from the IJA	-4,000
Other Changes	
Increase in the Maryland Affordable Housing Trust to provide additional grants	2,622
Fiscal 2025 deficiency for Walter Lomax Act payments	-141
Decrease in federal funds for HOME Investments Partnership.....	-699
One-time legislative additions in fiscal 2025	-13,935
Other changes	846
Total	\$41,950

DHS: Department of Human Services
 IJA: Infrastructure Investment and Jobs Act

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Energy Programs

Overall, funding for energy assistance programs in DHCD’s operating budget has increased by \$19.6 million, or 29.7%, after accounting for deficiencies to a total of \$85.6 million in the fiscal 2026 allowance. The increase is primarily driven by the increase in the EmPOWER Maryland program, which is funded through an assessment on utility ratepayers and helps low-income households undertake energy conservation projects in their homes at no charge. In fiscal 2026, EmPOWER Maryland will have a significant expansion in program activity to meet the goals set out in the Public Utilities Article 7-224, which require DHCD to implement policies that reduce greenhouse gas emissions 0.9% below baseline and introduce standards for who can be approved as a contractor. The appropriation for EmPOWER Maryland in fiscal 2026 increases by \$24.5 million, or 70.3%, to \$59.3 million. Additional funds for EmPOWER Maryland will primarily be used to address the increase in the volume of activities and transition from an electricity savings goal to a greenhouse gas reduction goal: currently there are 136 multifamily projects scheduled for fiscal 2026. Programs such as the Maryland Energy Efficiency Tune-Up

and EmPOWER Energy Kits are associated with EmPOWER Maryland, and the expansion of these programs is connected to EmPOWER Maryland.

Partially offsetting the increases in the energy programs is a decrease of \$6 million in reimbursable funds from DHS to the Low Income Home Energy Assistance Program. **DHCD should discuss the reason for the decrease and how the reduction will impact the operation of the program and households served through the program.**

Rental Assistance

The fiscal 2026 allowance includes \$10 million in rental subsidies for the Statewide Rental Assistance Voucher Program as mandated by Chapter 446 of 2023, an increase of \$2.5 million from the fiscal 2025 working appropriation. Although DHCD received the mandated \$10 million in fiscal 2025, cost containment actions approved by BPW in July 2024 reduced the funding for the program by \$2.5 million due to startup delays. The program provides housing subsidies to families while they wait for federal housing assistance. Though the statewide program has similar eligibility requirements to the federal Housing Choice Voucher Program (HCVP), it only authorizes assistance payments to program participants for up to five years or until an HCVP voucher becomes available, whichever occurs first. HB 716, a departmental bill, would alter the program by authorizing DHCD to designate their authorized vouchers to a specific housing unit as well as removing the requirement that DHCD equally prioritize vouchers to qualifying families. In addition to these changes, HB 716 would also require families to pay no more than 40% of their monthly gross income for rent and utilities, which is an increase from current law (30% of monthly gross income).

The largest increases in the rental assistance program occur for the Section 8 program, including both increases in federal funds for vouchers (\$5.5 million) and administration (\$25 million). **DHCD should comment on the factors causing the increase of the Section 8 Administrative contract.**

Infrastructure Investment and Jobs Act and Inflation Reduction Act Funding

Discussion of funds received through the IIJA for Broadband are discussed in Issue 1.

DHCD was awarded \$45.7 million in federal funds from the IIJA for WAP, which is available until expended. WAP is intended to offer support to residents of Maryland to make their homes safer, healthier, and more energy efficient. WAP offers support to improve things such as replacing a house's insulation, repairing a furnace, hot water system upgrades, and other improvements impacting energy efficiency. Homeowners are eligible to receive support through this program if they are able to prove ownership of their housing unit and meet certain income requirements. Priority is given to applicants who are over the age of 60, disabled, families with children, and those that have higher energy consumption. The fiscal 2026 allowance for this program through the IIJA decreases by \$113,648, or 2%, to \$5.5 million when compared to the fiscal 2025 working appropriation. This funding is in addition to regular federal funds for WAP.

DHCD should discuss the status of using the funds allocated to the program through the IIJA and how it has used the program to supplement other funds available for WAP.

Personnel Data

	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 25-26</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	355.00	446.00	447.00	1.00
Contractual FTEs	<u>119.27</u>	<u>86.50</u>	<u>74.50</u>	<u>-12.00</u>
Total Personnel	474.27	532.50	521.50	-11.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	25.47	5.71%
Positions and Percentage Vacant as of 12/31/24	26.00	5.83%
Vacancies Above Turnover	0.53	

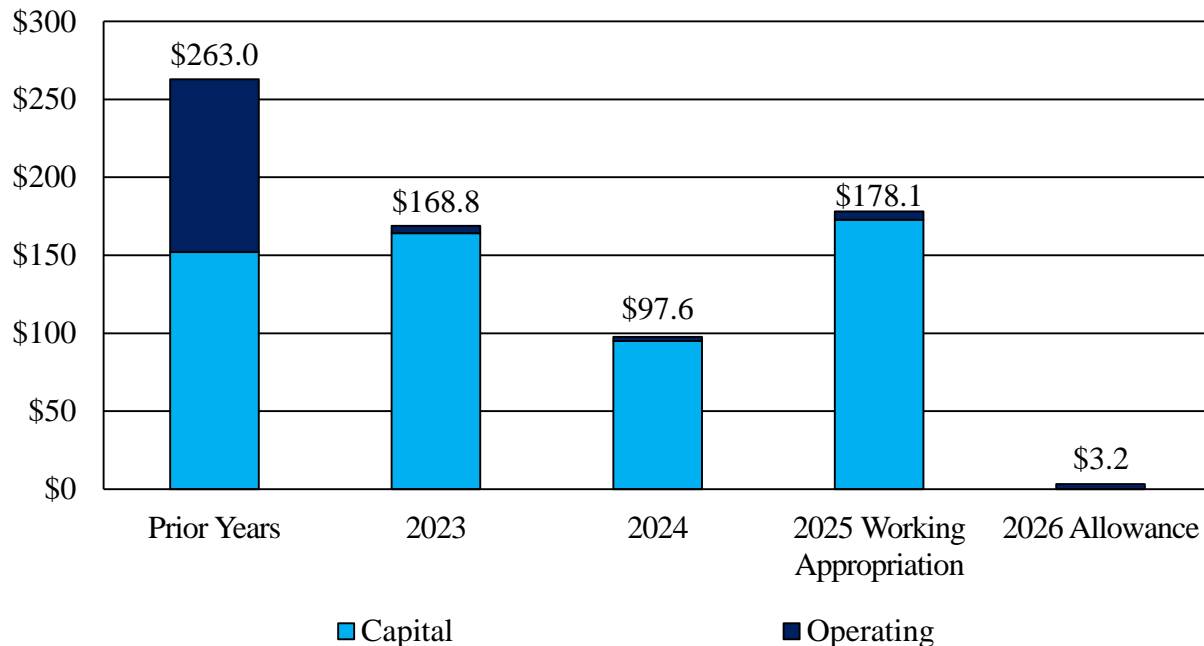
- As of December 31, 2024, DHCD has 26 vacant positions, of which 12 have been vacant for less than 3 months and 2 have been vacant for more than a year.
- The fiscal 2026 allowance includes an increase of 1 regular position for a financial manager in the Division of Neighborhood Revitalization. **The Department of Legislative Services (DLS) recommends deleting the new position and filling the role by reclassifying a vacant position.**
- Contractual full-time equivalent (FTE) positions decrease by 12 in the fiscal 2026 allowance compared to fiscal 2025. This net change results from decreases in a variety of programs, including the Rental Services Program, the Office of the Secretary, and the Housing Development Program, which are partially offset by increases in contractual FTEs in the energy programs and the Maryland Housing Fund.

Issues

1. Broadband

Chapter 74 renamed the Office of Rural Broadband in DHCD to OSB and expanded its responsibilities to include developing a statewide broadband plan, collecting and publishing data on broadband availability and speed, and furthering digital inclusion efforts. Funding for broadband programs has increased dramatically through federal legislation. **Exhibit 11** shows funding from all sources appropriated for the broadband program across DHCD’s operating and capital budgets through the fiscal 2026 allowance, totaling \$710.7 million. The majority of the funding has been provided for capital activities related to infrastructure expansion programs; however, no federal funds are provided in the fiscal 2026 allowance for capital activities, which will be discussed further in the capital budget analysis SA0 – DHCD. In DHCD’s operating budget, the fiscal 2026 allowance includes \$3.2 million of total funds, including \$2.4 million in federal funds, primarily to support contractual services, and \$782,000 in general funds for contractual FTEs (\$237,319) and grants (\$544,564).

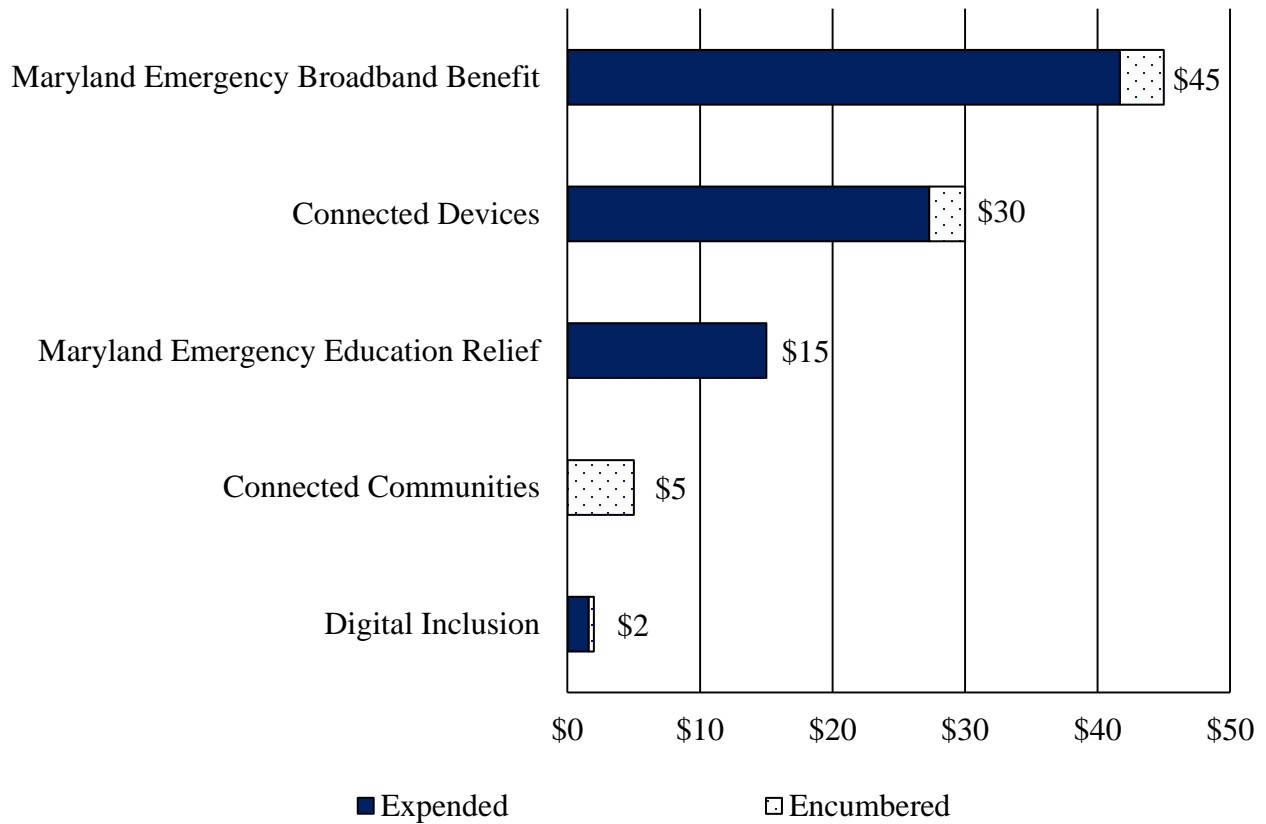
Exhibit 11
Funding for Broadband Programs
Fiscal 2019-2026
(\$ in Millions)



Source: Governor’s Budget Books

Several broadband programs are continuing in fiscal 2026 and are expected to continue until December 2026, when all funds need to be expended. All programs are funded using federal funds from the ARPA, with the exception of the Maryland Emergency Education Relief Program, which used federal funds from the federal Coronavirus Aid, Relief, and Economic Security Act. As of January 2025, all ARPA allocations have been finalized, and there are no additional allocations available for these programs. There are, however, funds still to be expended. **Exhibit 12** shows the funding awarded or encumbered as of January 2025.

Exhibit 12
Status of Broadband Programs Funded in the Operating Budget
As of January 2025
(\$ in Millions)



Source: Department of Housing and Community Development

- ***Maryland Emergency Broadband Benefit (MEBB):*** Provides a \$15 per month subsidy for low-income households, supplementing the federal Affordable Connectivity Program (ACP). Households apply directly through their service provider for the ACP subsidy and then are automatically enrolled in the MEBB subsidy. As of January 2024, approximately 180,000 Maryland households were receiving the MEBB subsidy, and more than 280,000 are enrolled in the ACP. At the end of February 2024, the program ended, with the final payments being sent to consumers in April 2024. According to DHCD, funding for the MEBB subsidy totals \$45.0 million appropriated in fiscal 2022, of which \$41.7 million had been reported expended as of January 2025. **DHCD should comment on its plans to reallocate remaining funds.**
- ***Connected Devices Program:*** Provides computing devices to low-income households. BPW approved a contract to procure approximately 145,000 devices in October 2022, and DHCD awarded \$27.3 million for local jurisdictions and community partners to distribute the devices across two funding rounds in February and October 2023. DHCD plans to use the remaining \$2.7 million for grants to nonprofits, community anchor institutions, or local jurisdictions to assist targeted populations, such as homeless, disabled, and incarcerated individuals and veterans with using devices. **DHCD should comment on the planned timeline for expending the remaining funds for this program.**
- ***Maryland Emergency Education Relief:*** Provided grants to schools, libraries, and community centers to support the needs of students that lack necessary Internet access. DHCD has expended the program’s funding of \$15 million.
- ***Connected Communities Grant Program:*** Provides grants to local governments and nonprofits to expand broadband access to low-income households through community-based gap networks provided at low or no cost. DHCD has encumbered \$2 million in the Capital Project Fund and \$3 million in State and Local Fiscal Recovery Funds, with the projects currently in the construction phase.
- ***Digital Inclusion Grant Program:*** Provides grants to nonprofits, local jurisdictions, or educational institutions to improve digital adoption. DHCD awarded \$1.6 million and has encumbered an additional \$400,000.

Anticipated Infrastructure Investment and Jobs Act Funding

The IIJA includes more than \$60 billion in funding nationally for broadband programs. The largest program was the Broadband Equity, Access, and Development (BEAD) Program, which provides \$42.5 billion nationally for grants to states, allocated by a formula based on the proportion of unserved locations in each state as well as unserved locations in high-cost areas. Between fiscal 2024 and 2025, Maryland received \$267.7 million from the IIJA for project implementation, of which \$95 million was in fiscal 2024, and \$172.7 million was in fiscal 2025. The Statewide Digital Equity program is the final broadband program that will be receiving funds through the IIJA.

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Before being used, BEAD funds needed to be approved by the U.S. Department of Commerce’s National Telecommunications and Information Administration (NTIA). After submitting the plans, DHCD received approval for their recommendations from NTIA in December 2024. OSB anticipates making final awards within calendar 2025, and project construction is expected to be completed by the end of calendar 2028. To oversee the implementation of these projects, DHCD will use the remaining \$5 million of BEAD funds between fiscal 2024 and 2029. Of the remaining funds, \$562,500 is included in the fiscal 2026 allowance, which is intended to fund contractual services.

Utilizing federal rules and regulations of the BEAD program, OSB established a challenge process to ensure funding BEAD and Digital Equity initiatives are going to the places most in need. Under the challenge process, external stakeholders ranging from nonprofits to private organizations have the chance to comment on OSB’s identified areas. In July 2024, OSB began the challenge process. The final determination for BEAD’s challenge process occurred between October 11 and November 10, 2024, with the results of the challenge process being recently released in February 2025.

The Statewide Digital Equity Plan identifies Maryland’s barriers and assets to achieving digital equity and outlines a strategy for partner engagement and program implementation. Identified barriers include lack of broadband availability; the affordability of broadband services, devices, and technical support for low-income households; lack of digital skills among low-income households and aging individuals; and the need for resources and expertise among local communities. OSB plans to address these barriers using strategies that include (1) requiring providers to provide a basic level of service; (2) strengthening the capabilities of community anchor institutions; (3) increasing participation in subsidy programs and expanding device access; (4) enabling skills development through training courses; and (5) expanding technical assistance to local and nonprofit entities. OSB notes that the sustainability of initiatives supported with IJA funding is a significant concern. DHCD expects to receive \$13.4 million in the form of a Digital Equity Capacity Grant. The Division of Finance and Administration anticipates that this grant will be included in the supplemental budget for fiscal 2025.

Affordable Connectivity Program Ends

As of June 1, 2024, the ACP ended. It was a federally funded program, through the Federal Communications Commission, under which eligible households within Maryland were able to receive \$30 per month for broadband. Some households were also able to qualify for a one-time discount up to \$100 to purchase a laptop, desktop computer, or tablet. As of February 7, 2024, enrollments in this program have ended, and April 2024 was the last month payments were made to consumers.

Operating Budget Recommended Actions

	<u>Amount Change</u>		<u>Position Change</u>
1. Reduce 1.0 new position (N2614942). The Department of Housing and Community Development has 26 vacant positions as of December 31, 2024. The function of the new position could be filled by reclassifying an existing vacant position.	-\$155,581	GF	-1.0
Total General Fund Net Change	-\$155,581		-1.0

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that DHCD prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Just Communities:*** The committees requested that DHCD submit a report on Just Communities, specifically areas that would meet certain criteria that would be eligible for prioritization of State funding under Chapter 147 of 2024. This report was due within 30 days of designation; however, no date was ever designated for DHCD to submit the report. DHCD is anticipating that this report will be completed during spring 2025.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	July 11, 2018, to October 31, 2022
Issue Date:	November 2024
Number of Findings:	8
Number of Repeat Findings:	2
% of Repeat Findings:	25%
Rating: (if applicable)	N/A

Finding 1: DHCD did not effectively monitor recipients of multifamily loans for compliance with the terms of the loan agreements.

Finding 2: DHCD did not ensure that significant health and safety concerns identified at multifamily housing facilities were corrected within 24 hours as required.

Finding 3: DHCD did not have an independent review process to ensure that reconciliations of its State-funded housing loans were completed properly and that errors and reconciling items were resolved timely.

Finding 4: DHCD did not establish policies governing the issuance of Neighborhood Business Works venture debt loans.

Finding 5: DHCD did not comply with State procurement regulations when obtaining marketing services from two vendors and did not monitor services provided by a third vendor to ensure that the marketing services were received and amounts invoiced were proper.

Finding 6: Redacted cybersecurity-related finding.

Finding 7: Redacted cybersecurity-related finding.

Finding 8: Redacted cybersecurity-related finding.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Energy Efficiency Program Management System
Major Information Technology Development Project
Department of Housing and Community Development

New/Ongoing: Ongoing								
Start Date: July 2020					Est. Completion Date: January 2026			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$0.000	\$0.000	\$0.050	\$0.000	\$0.000	\$0.000	\$0.000	\$0.050
SF	2.533	0.475	0.000	0.000	0.000	0.000	0.000	3.008
Total	\$2.533	\$0.475	\$0.050	\$0.000	\$0.000	\$0.000	\$0.000	\$3.058

- **Project Summary:** DHCD has identified the need to replace and expand the current system’s capabilities to better support the Housing and Building Energy Programs (HBEP). Currently, HBEP uses a web-based program management system that includes application intake, invoicing, reporting, energy audits, and financial tracking. However, the increase in applicants for energy efficiency assistance as well as the increasing complexity of administering these programs have demonstrated that the current system is not adequate to meet growing needs.
- **Need:** The current web-based system is no longer sufficient to handle the increasing complexity and volume of DHCD energy assistance. The current system also lacks flexibility and requires extensive vendor intervention for even minor modifications.
- **Observations and Milestones:** The project began operation and maintenance on December 31, 2024.

**Appendix 4
Object/Fund Difference Report
Department of Housing and Community Development**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	355.00	446.00	447.00	1.00	0.2%
02 Contractual	119.27	86.50	74.50	-12.00	-13.9%
Total Positions	474.27	532.50	521.50	-11.00	-2.1%
Objects					
01 Salaries and Wages	\$ 51,463,302	\$ 60,491,107	\$ 65,564,077	\$ 5,072,970	8.4%
02 Technical and Special Fees	9,450,722	7,075,003	6,277,782	-797,221	-11.3%
03 Communication	201,180	171,650	193,050	21,400	12.5%
04 Travel	335,893	429,100	407,000	-22,100	-5.2%
06 Fuel and Utilities	281,179	253,000	303,300	50,300	19.9%
07 Motor Vehicles	183,214	356,665	254,892	-101,773	-28.5%
08 Contractual Services	37,241,704	51,582,885	65,175,120	13,592,235	26.4%
09 Supplies and Materials	213,783	269,100	293,700	24,600	9.1%
10 Equipment – Replacement	577,970	1,910,000	693,000	-1,217,000	-63.7%
11 Equipment – Additional	135,753	211,500	258,500	47,000	22.2%
12 Grants, Subsidies, and Contributions	435,759,682	385,865,315	413,952,265	28,086,950	7.3%
13 Fixed Charges	4,966,973	5,248,240	5,291,393	43,153	0.8%
14 Land and Structures	58,290	0	0	0	0.0%
Total Objects	\$ 540,869,645	\$ 513,863,565	\$ 558,664,079	\$ 44,800,514	8.7%
Funds					
01 General Fund	\$ 41,228,834	\$ 51,036,861	\$ 42,446,392	-\$ 8,590,469	-16.8%
03 Special Fund	74,698,314	105,433,480	131,238,843	25,805,363	24.5%
05 Federal Fund	410,915,717	341,986,022	374,686,699	32,700,677	9.6%
09 Reimbursable Fund	14,026,780	15,407,202	10,292,145	-5,115,057	-33.2%
Total Funds	\$ 540,869,645	\$ 513,863,565	\$ 558,664,079	\$ 44,800,514	8.7%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.