

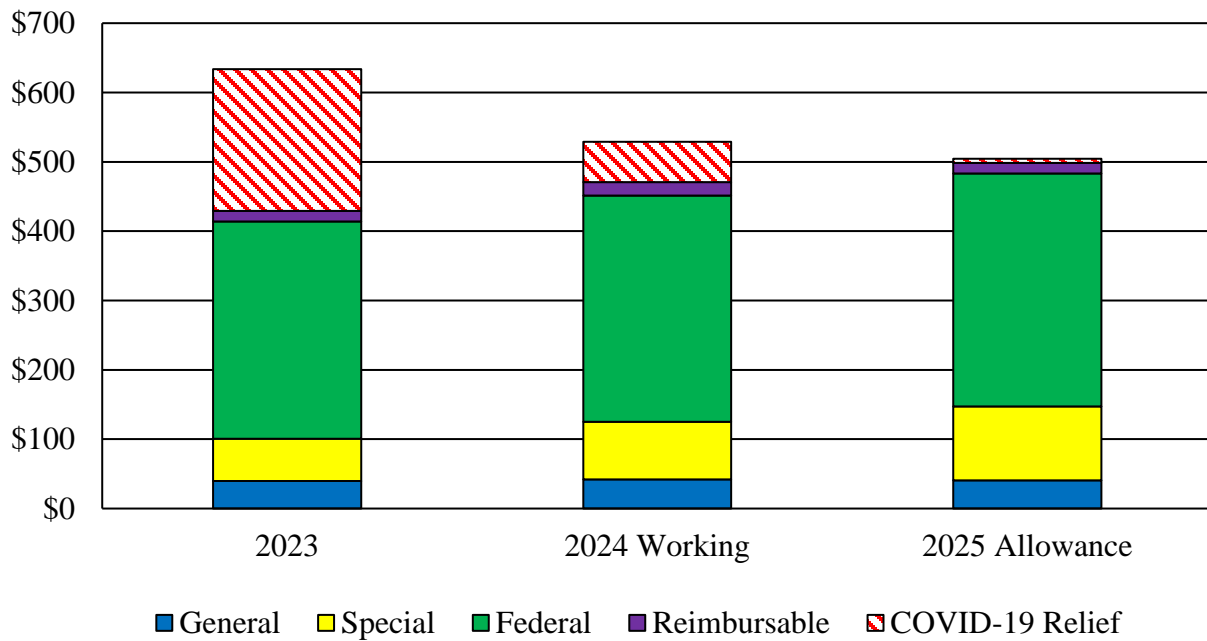
S00A
Department of Housing and Community Development

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 2025 Budget Decreases \$24.5 Million, or 4.6%, to \$504.6 Million
(\$ in Millions)**



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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- Overall, DHCD’s budget decreases by 4.6% from the fiscal 2024 working appropriation to the fiscal 2025 allowance after accounting for deficiencies, primarily due to the end of the American Rescue Plan Act (ARPA) funding for the Homeowner Assistance Fund (HAF). Excluding COVID-19 relief funding, DHCD’s budget increases by 5.9%.
- General funds decrease by \$1.2 million, or 2.8%, to \$40.8 million, with increases for personnel costs and new administration initiatives offset by decreases for one-time legislative additions to the budget in fiscal 2024. A \$10 million increase for the new Statewide Voucher Assistance Program is directly offset by a \$10 million decrease due to the end of the Community Safety Works program.
- Special funds increase by \$23.1 million, or 27.7%, primarily due to the expansion of the EmPOWER program.

Key Observations

- ***DHCD Personnel Increasing by 26%:*** The fiscal 2025 allowance includes an increase of 91 regular positions in DHCD compared to the fiscal 2024 working appropriation, representing 26% growth in regular positions. This increase includes 56 contractual conversions as well as new positions in nearly every program in the agency. The largest position increases include 8 anti-poverty and homelessness solutions grant and project managers, 5 financial analysts, and 4 positions related to the expansion of the EmPOWER program.
- ***Homelessness in Maryland Increasing but Still Below Prepandemic Level:*** From January 2022 to January 2023, Maryland’s count of homeless individuals increased by nearly 10%, to 5,865. Overall, this measure of Maryland’s homelessness levels declined by 30% from calendar 2015 to 2023, compared to a nearly 16% increase nationally. Increasing costs of service delivery, including rent, supplies, and wages, are impacting the number of people that can be served through DHCD’s homelessness programs.
- ***Broadband Planning Underway for Infrastructure Investment and Jobs Act (IIJA) Funding:*** DHCD has allocated most of its \$395.5 million in ARPA funds for broadband initiatives and has completed draft plans for the nearly \$300 million that Maryland is anticipated to receive in IIJA funding for broadband deployment and digital equity. Digital equity funding is expected to become available in the first half of calendar 2024. For infrastructure deployment, DHCD plans to include provisional awards for projects in its final proposal due in December 2024 with projects expected to be completed by the end of calendar 2028.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce special funds for operating assistance grants.	-\$1,000,000
Total Net Change	-\$1,000,000

Updates

- The HAF provided \$248.6 million in federal funds from the ARPA for relief to homeowners at risk of displacement. Applications for the program closed in September 2023, and DHCD expects to fully disburse payments by March or April 2024. The HAF has provided assistance to more than 18,000 Maryland households, including approximately 11,500 receiving financial assistance and 6,800 receiving counseling or legal services.

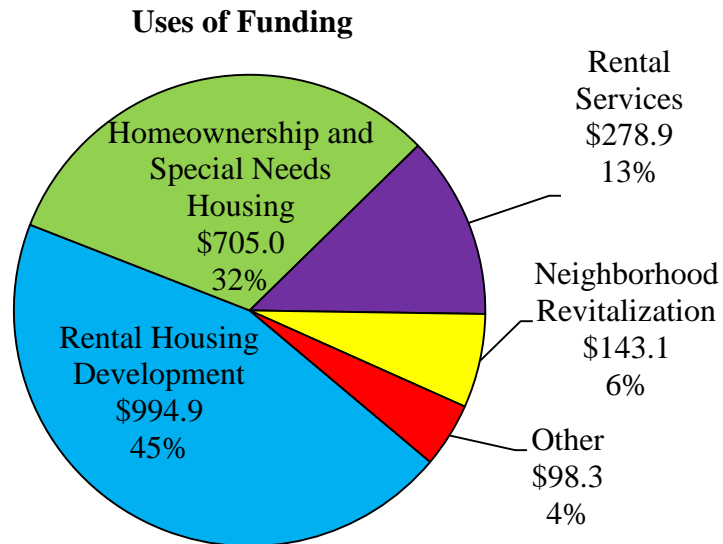
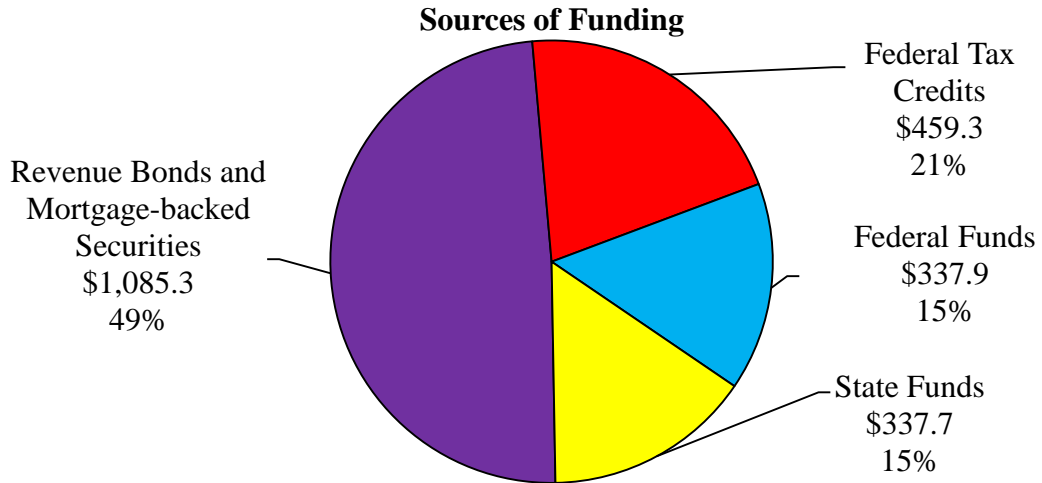
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Operating Budget Analysis

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 2023. Approximately 70% of DHCD’s funding in fiscal 2023 came from nonbudgeted revenue bonds, securities, or tax credits. DHCD’s budgeted federal and State funds account for 15% each of the department’s total funding. DHCD’s funding from all sources totaled \$2.2 billion in fiscal 2023, decreasing by 9.3% from fiscal 2022 due to decreases in revenue bonds and securities as well as federal funds for COVID-19 relief that were partially offset by significant increases in State funding in DHCD’s capital programs. Rental housing development overtook homeownership programs as the largest component of DHCD’s expenditures in fiscal 2023, accounting for 45% of expenditures.

Exhibit 1
Sources and Uses of DHCD’s Operating and Capital Budgets
Budgeted and Nonbudgeted Funds
Fiscal 2023
(\$ in Millions)



Total: \$2,220.3 Million

DHCD: Department of Housing and Community Development

Note: Other includes Housing Energy Efficiency, Local Government Finance, and Business Lending.

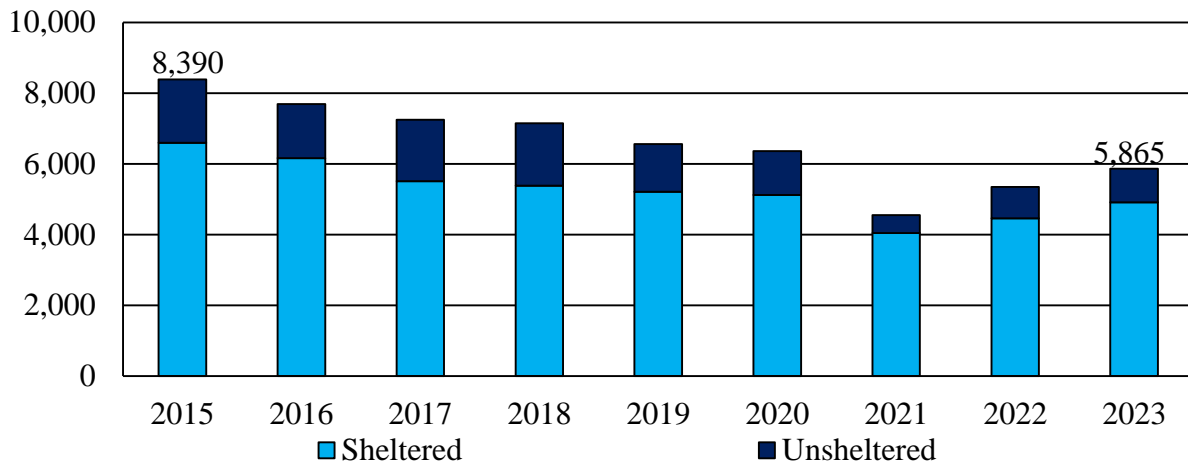
Source: Department of Housing and Community Development

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 increased in each of the last two years but remains below the January 2020 level. From January 2022 to 2023, Maryland’s count of homeless individuals increased by nearly 10% to 5,865, compared to a 12% increase in homeless individuals nationally. Of these 5,865 individuals, 60% are Black, 20% are under the age of 18, and 5% are veterans. Overall, this measure of Maryland’s homelessness levels declined by 30% from calendar 2015 to 2023 compared to a nearly 16% increase nationally. 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 2015-2023 Point-in-time Counts

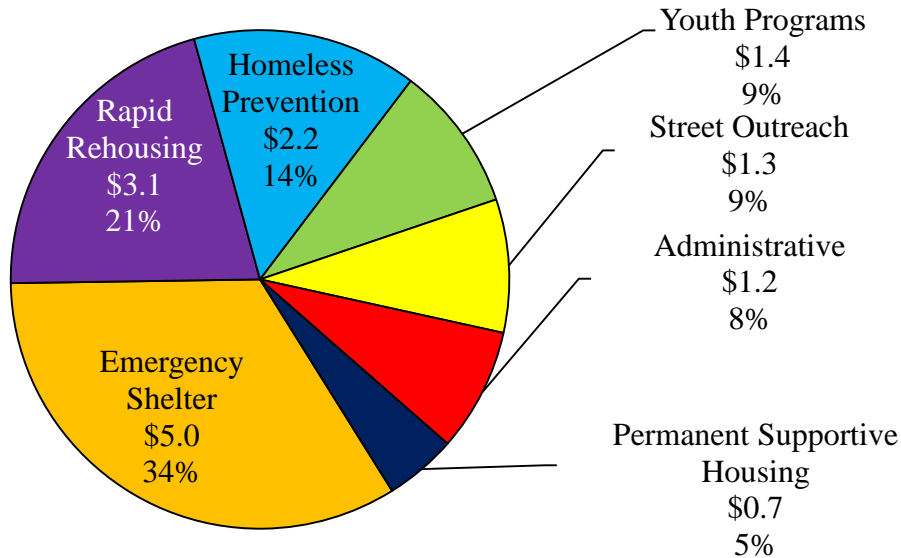


Source: U.S. Department of Housing and Urban Development

In January 2024, DHCD announced that the department was creating a new Division of Homeless Solutions, separating DHCD’s homelessness programs from the Division of Neighborhood Revitalization. The fiscal 2025 allowance includes 8 new positions related to homelessness solutions and anti-poverty program and grants management. The fiscal 2025 allowance includes \$17.3 million for DHCD’s homelessness programs, including \$14.3 million in general funds. Excluding COVID-19 relief funding, funding for these programs has generally remained level for the last three years after receiving a significant increase in the fiscal 2023 budget.

DHCD awards funding to local Continuums of Care (CoC) through a consolidated Homelessness Solutions Program (HSP) funding application, and the CoCs use the funds to provide services such as shelter operations, street outreach, rapid rehousing, and homelessness prevention. **Exhibit 3** shows the allocation of fiscal 2024 funding by purpose with more than half allocated for emergency shelter or rapid rehousing.

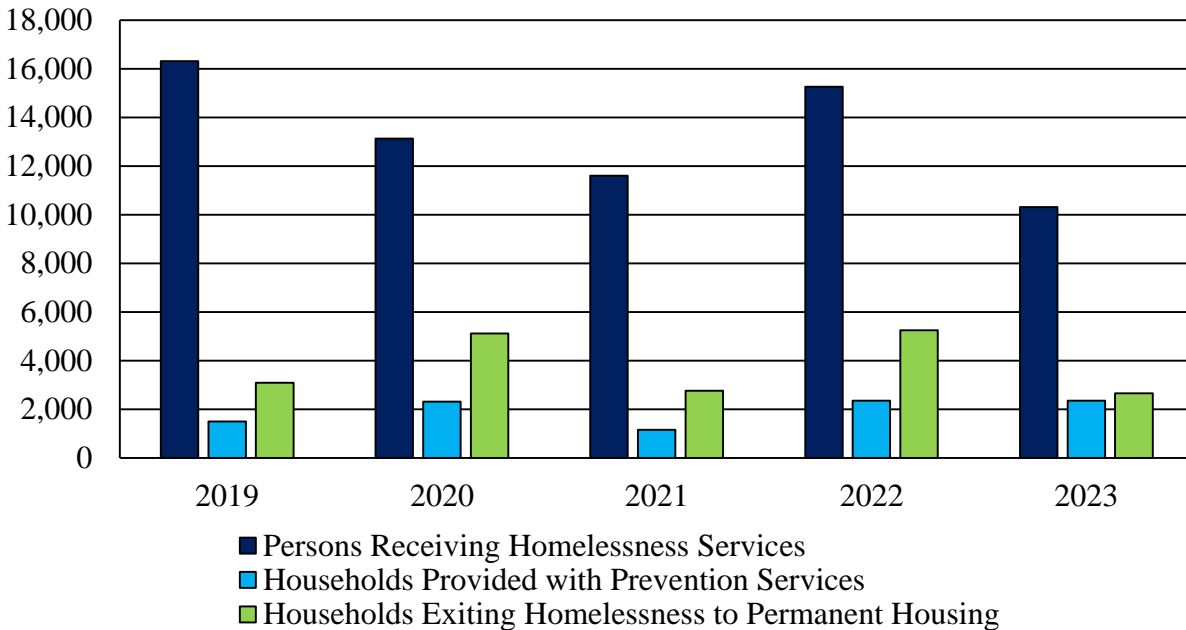
Exhibit 3
Homelessness Solutions Program Funding by Purpose
Fiscal 2024
(\$ in Millions)



Source: Department of Housing and Community Development

As shown in **Exhibit 4**, HSP provided assistance to more than 10,300 people who were homeless or at risk of homelessness in fiscal 2023. This represents a decrease of 32% compared to fiscal 2022, although DHCD notes that this Managing for Results data does not include persons served using federal COVID-19 relief funding. CoCs prioritized using federal relief funds first in fiscal 2023 to meet expenditure deadlines and avoid the recapture of funds. From all sources, DHCD reports that CoCs served more than 32,000 people in fiscal 2023, excluding prevention services, increasing 29% from fiscal 2022. Increasing costs of service delivery, including rent, supplies, and wages also impact the number of people who can be served with HSP funds. DHCD advises that, as a result of rental market conditions and wages not keeping up with rising housing costs, households are needing deeper subsidies to regain stability and are staying in shelters longer, reducing the number of individuals that can be served.

Exhibit 4
Homeless or At-risk of Homelessness Served
Fiscal 2019-2023



Source: Governor’s Fiscal 2025 Budget Books

Fiscal 2024

Implementation of Legislative Priorities

DHCD’s fiscal 2024 appropriation includes four items added to the budget by the General Assembly:

- \$2.0 million for emergency rental assistance. DHCD awarded this funding to CoCs in August 2023 in conjunction with \$5.1 million in remaining federal funds from the Emergency Rental Assistance Program to be used for shelter diversion services, rapid rehousing, and targeted eviction prevention. CoCs will have until September 2025 to expend these funds;
- \$1.0 million for the Prince George’s County Emergency Seniors Rental Assistance Fund. DHCD reports that a grant agreement has been executed as of January 2024, and funds will be encumbered soon;

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- \$100,000 for an operating grant to the Marlboro Pike Partnership Community Development Corporation (CDC). Marlboro Pike Partnership CDC also received \$1.0 million in capital funding under DHCD’s National Capital Strategic Economic Development Program. The award agreement for both operating and capital funding is in the process of being drafted as of the time of writing; and
- \$100,000 for a grant to the Little Italy Neighborhood Association for the purpose of creating a Business Improvement District. DHCD is engaged in discussions with the association regarding how the funds will be used.

Proposed Deficiencies

The fiscal 2025 budget includes the following proposed deficiencies in DHCD for fiscal 2024:

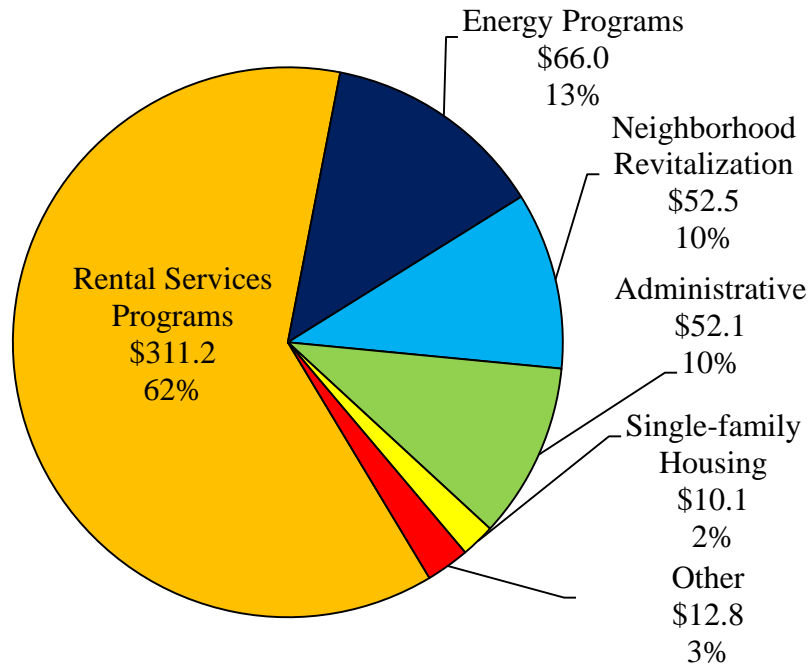
- \$1.0 million in special funds from the EmPOWER program to fund increased activity. The expansion of the EmPOWER program is discussed further in the Proposed Budget section of this analysis;
- \$462,711 in federal funds to support the Homeless Management Information System. DHCD operates the Balance of State CoC, consisting of seven former CoCs that merged in order to improve coordination of federal funding applications and centralize the management of coordinated entry and information systems. The deficiency is the result of increased federal funds related to additional CoCs merging into the Balance of State CoC;
- \$183,000 in general funds for housing accommodations to erroneously convicted individuals under the Walter Lomax Act (Chapter 77 of 2021); and
- \$133,000 in special funds from DHCD’s General Bond Reserve Fund for the Circuit Rider program, which provides funds to small municipalities to form consortiums and hire public administration professionals who serve on a part-time basis in several towns. The deficiency will enable the program to serve an additional seven municipalities and brings the fiscal 2024 funding to a total of \$633,000, whereas the fiscal 2025 allowance includes \$500,000 for the program.

Fiscal 2025 Overview of Agency Spending

As shown in **Exhibit 5**, the fiscal 2025 allowance is dominated by the Rental Services Program that accounts for 62% of the \$504.6 million allowance. 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. This contract includes \$265 million in rental subsidies in

fiscal 2025. Aside from rental services, DHCD’s largest programs are Energy Programs (13% of the allowance) and Neighborhood Revitalization (10% of the allowance), which includes the State’s homelessness programs.

Exhibit 5
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Millions)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2025 allowance decreases by \$24.5 million compared to the fiscal 2024 working appropriation after accounting for deficiencies. This is primarily due to COVID-19 relief funding budgeted in fiscal 2024 that does not continue in the fiscal 2025 allowance, including more than \$50 million for the HAF, offset by special fund increases for the EmPOWER program.

Exhibit 6
Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2023 Actual	\$39,862	\$60,602	\$518,318	\$14,994	\$633,776
Fiscal 2024 Working Appropriation	41,935	83,347	384,166	19,643	529,091
Fiscal 2025 Allowance	<u>40,757</u>	<u>106,433</u>	<u>341,986</u>	<u>15,407</u>	<u>504,584</u>
Fiscal 2024-2025 Amount Change	-\$1,178	\$23,087	-\$42,180	-\$4,236	-\$24,507
Fiscal 2024-2025 Percent Change	-2.8%	27.7%	-11.0%	-21.6%	-4.6%

Where It Goes: **Change**

Personnel Expenses

Funding for 91 new positions, including 56 contractual conversions.....	\$7,822
Salary increases and associated fringe benefits, including fiscal 2024 COLA and increments.....	2,542
Reclassifications.....	442
Other fringe benefit adjustments.....	-55
Turnover rate increases from 4.83% to 5.05%.....	-101
Federal funding for broadband planning activities in fiscal 2024	-4,652

COVID-19 Relief Programs

Emergency Rental Assistance Program remaining funds allocated in fiscal 2025	1,973
CARES Act: Community Development Block Grant.....	-200
CARES Act: Emergency Solutions Grant	-511
Homeowner Assistance Fund.....	-51,236

Energy Programs

EmPOWER Maryland increased funding in new program cycle	13,670
Maryland Energy Efficiency Tune-up Program.....	600
EmPOWER Energy Kits program	-320
Weatherization Assistance Program federal funds from the IJA.....	-417
Reimbursable funds from DHS for the Maryland Energy Assistance Program ..	-2,800

Rental Assistance

Statewide Voucher Assistance Program mandated funding (Chapter 446 of 2023)...	10,000
Rental subsidies under Section 8 administration contract (2% increase)	5,000
Housing Choice Voucher program	2,000
Section 811 rental assistance for people with disabilities.....	500
Reimbursable funds from DDA for rental assistance	-349

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Where It Goes:	<u>Change</u>
Other Changes	
Broadband digital equity grant funding from the IJJA.....	3,033
Furniture and fixture purchases related to growth of the Division of Neighborhood Revitalization.....	1,250
General funds provided for Operating Assistance Grants to free up special funds for additional down payment assistance.....	1,000
Maryland Community Investment Corporation, contingent on legislation	800
Office of Information Technology contract costs	791
Office of Asset Management contract costs for software and loan servicing.....	300
Other changes.....	40
Fiscal 2024 deficiency to enhance Circuit Rider program.....	-133
Software for Neighborhood Revitalization programs.....	-165
Fiscal 2024 deficiency for Walter Lomax Act payments	-183
Reimbursable funds from the Department of Commerce for broadband mapping.....	-400
Balance of State CoC, including fiscal 2024 deficiency for Homeless Information Management System	-675
Reimbursable funds from the Maryland Department of Health for CoCs to enhance detection and mitigation of COVID-19.....	-872
One-time legislative additions in fiscal 2024.....	-3,200
Community Safety Works program discontinued in fiscal 2025.....	-10,000
Total	-\$24,507

CARES: Coronavirus Aid, Relief, and Economic Security
 CoC: Continuum of Care
 COLA: cost-of-living adjustment
 DDA: Developmental Disabilities Administration
 DHS: Department of Human Services
 IJJA: Infrastructure Investment and Jobs Act

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

New Administration Initiatives and Other General Fund Enhancements

The fiscal 2025 allowance includes general fund enhancements related to two new administration initiatives:

- ***Office of Tenants’ Rights:*** SB 481 and HB 693 would establish an Office of Tenants’ Rights in DHCD to ensure that tenants have the information necessary to understand their rights under State and federal law, to report violations or notify authorities regarding unfair or illegal housing practices, and to obtain financial counseling. The fiscal 2025 allowance

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includes \$344,515 in general funds for personnel costs for 3 positions contingent on legislation establishing the office; and

- ***Maryland Community Investment Corporation (MCIC):*** SB 483 and HB 599 would establish MCIC as an independent instrumentality of the State for the purposes of becoming certified by the U.S. Treasury as a qualified community development entity, applying for federal New Markets Tax Credits, and making investments and financial assistance available to low-income communities in Maryland. The fiscal 2025 allowance includes \$800,000 in general funds for DHCD to pass through to MCIC for startup costs contingent on legislation establishing MCIC.

The fiscal 2025 allowance also includes \$1.0 million in general funds to replace special funds from DHCD's General Bond Reserve Fund for Operating Assistance Grants to nonprofits and local governments involved in community development projects. Total funding for Operating Assistance Grants is intended to be level-funded from fiscal 2024 at \$1.25 million, consisting of \$1.0 million in general funds and \$250,000 in special funds in fiscal 2025. However, the fiscal 2025 allowance still includes \$1.25 million in special funds in addition to the \$1.0 million in general funds. **The Department of Legislative Services (DLS) recommends deleting the \$1.0 million in special funds that is double budgeted.**

DHCD advises that using general funds in place of General Bond Reserve Funds will allow the department to use the reserve funds to provide additional down payment assistance to first-time homebuyers, thereby generating additional Maryland Mortgage Program loan activity.

Expansion of Energy Programs

Overall, funding for energy assistance programs in DHCD's operating budget increases by \$11.6 million, or 21%, after accounting for deficiencies, to a total of \$66.0 million in the fiscal 2025 allowance. This increase is primarily due to the expansion of 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. The EmPOWER program operates in three-year program cycles, and in December 2023, the Public Service Commission approved DHCD's proposal for the 2024-2026 program cycle that included a significant expansion of program activity in order to meet the goals established by Chapter 572 of 2023. Chapter 572 required that DHCD energy efficiency and conservation programs be designed to achieve a target annual incremental gross energy savings compared to 2016 of at least 0.53% in calendar 2024, 0.72% in calendar 2025, and 1.0% in calendar 2026.

The fiscal 2025 allowance includes \$38.0 million in special funds in DHCD's operating budget for the EmPOWER program, an increase of \$16.6 million, which includes \$14.9 million in additional contracts and grants for the single-family EmPOWER program as well as funding for 4 new positions and 6 contractual conversions. The new positions will include additional staff who are dedicated to marketing activities, assistance with the application process, and attending outreach events in order to expand awareness of the program and increase participation. Funding

in the capital budget for DHCD’s multifamily EmPOWER program also increases by \$21.1 million to \$35.9 million, which is discussed further in the capital budget analysis for SA0 – DHCD.

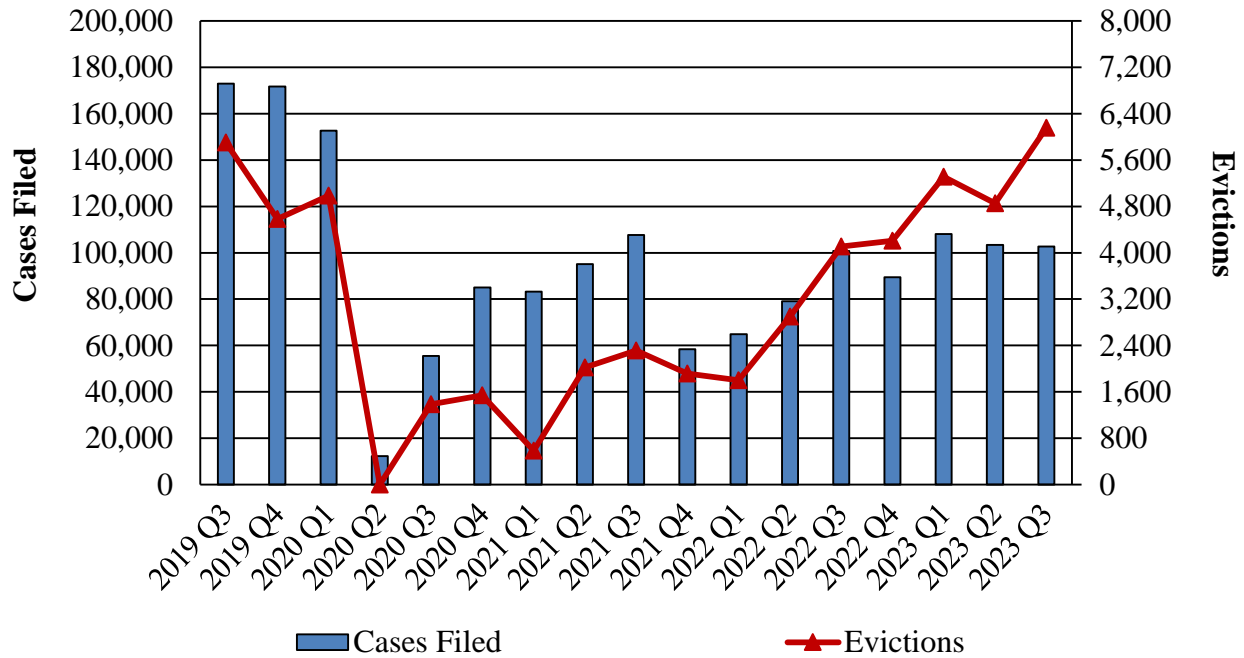
Rental Assistance

The fiscal 2025 allowance includes \$10 million in rental subsidies for the newly established Statewide Rental Assistance Voucher Program, as mandated by Chapter 446 of 2023. The new program will provide 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. DHCD is in the process of preparing the necessary program policies and documents to be ready for program implementation once funding is available in fiscal 2025.

The fiscal 2025 allowance also includes the remaining federal funding available from the Emergency Rental Assistance Program (ERAP), totaling \$2.4 million out of DHCD’s \$462.3 million award for both rounds of ERAP funding. The funding in the fiscal 2025 allowance will support ongoing administrative costs associated with closing out the program as well as some funding allocated for legal services and grants to CoCs that will continue to have expenditures in fiscal 2025.

Exhibit 7 shows the number of failure-to-pay-rent cases filed and the evictions that took place across the State from October 2019 to September 2023. 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. Evictions have increased steadily over the past two years and have generally returned to prepandemic levels with more than 6,100 households evicted in the third quarter of calendar 2023, although failure-to-pay-rent case filings remain below prepandemic levels. Lower case filings may be due in part to the requirement established by Chapter 746 of 2021 that landlords provide written notice to tenants 10 days in advance of filing, during which time the tenant may pay the rent due.

**Exhibit 7
Failure-to-pay-rent Cases and Evictions
October 2019 to September 2023**



Source: District Court of Maryland

Infrastructure Investment and Jobs Act Funding

DHCD is expected to receive approximately \$290 million from the IIJA for broadband initiatives. IIJA funds for broadband are discussed in Issue 1 of this analysis.

DHCD has also been awarded \$45.7 million in federal funds from the IIJA for the Weatherization Assistance Program (WAP), which is available until expended though encouraged to be used within five years. WAP provides energy efficiency improvements to low-income households. DHCD plans to spend these funds through fiscal 2027, using \$30 million to service more than 4,300 housing units with the remaining \$15.7 million used for administrative costs including vehicles and equipment as well as providing training and technical assistance. The fiscal 2024 working appropriation includes \$6 million in IIJA WAP funding, and the fiscal 2025 allowance includes \$5.6 million. This funding is in addition to regular federal funds for WAP grants, which total \$4.0 million in each of fiscal 2024 and 2025.

Personnel Data

	FY 23	FY 24	FY 25	FY 24-25
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	353.00	355.00	446.00	91.00
Contractual FTEs	<u>128.76</u>	<u>112.00</u>	<u>86.50</u>	<u>-25.50</u>
Total Personnel	481.76	467.00	532.50	65.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions

	17.93	5.05%
Positions and Percentage Vacant as of 12/31/23	21.10	5.94%

Vacancies Above Turnover 3.17

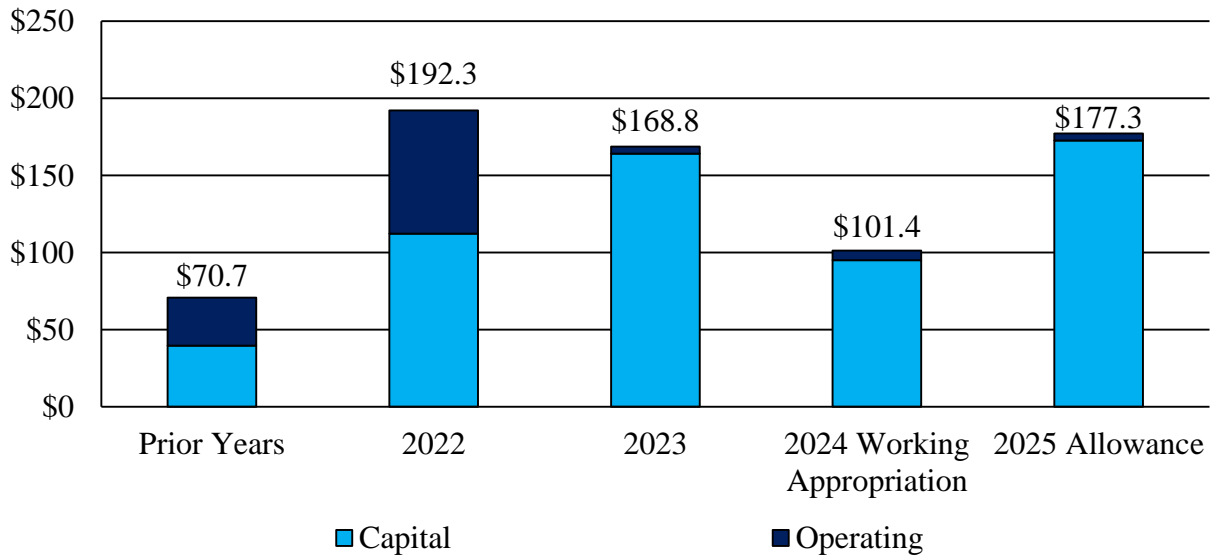
- The fiscal 2025 allowance includes an increase of 91 regular positions in DHCD compared to the fiscal 2024 working appropriation, representing a 26% growth in regular positions. The position increases include 56 contractual conversions as well as new positions in nearly every program in the agency, with significant increases for various anti-poverty and homelessness solutions program administrator roles (8 positions), financial analysts (5 positions), and additional personnel related to the expansion of EmPOWER (4 positions).
- Contractual full-time equivalent positions decrease by 25.5 in the fiscal 2025 allowance due to the winding down of COVID-19 relief programs.
- From the end of calendar 2022 to the end of calendar 2023, the department’s vacancy rate decreased from 11% to 6%, driven by the filling of vacant positions in the Office of the Secretary and the Division of Finance and Administration. Of the department’s 21 positions that were vacant as of January 2024, more than three-quarters have been vacant for less than six months, and 9 have been vacant for less than three months.

Issues

1. Broadband

Chapter 74 of 2021 renamed the Office of Rural Broadband in DHCD to the Office of Statewide Broadband (OSB) and expanded its responsibilities to include the development of a statewide broadband plan, collecting and publishing data on broadband availability, speed, and furthering digital inclusion efforts. Funding for broadband programs has also increased dramatically through federal legislation, including approximately \$400 million that the State designated to be used for this purpose from the ARPA and nearly \$300 million anticipated from the IJA. **Exhibit 8** shows funding from all sources appropriated for broadband programs across DHCD’s operating and capital budgets through the fiscal 2025 allowance, totaling more than \$710 million. The majority of funding is provided through the capital budget for infrastructure expansion programs, which will be discussed further in the capital budget analysis for SA0 – DHCD. In DHCD’s operating budget, the fiscal 2025 allowance includes \$4.0 million in federal funds from the IJA for digital equity initiatives in addition to \$1.4 million in general funds for regular and contractual personnel costs (\$825,000) and operating grants (\$530,000).

Exhibit 8
Funding for Broadband Programs
Fiscal 2019-2025
(\$ in Millions)

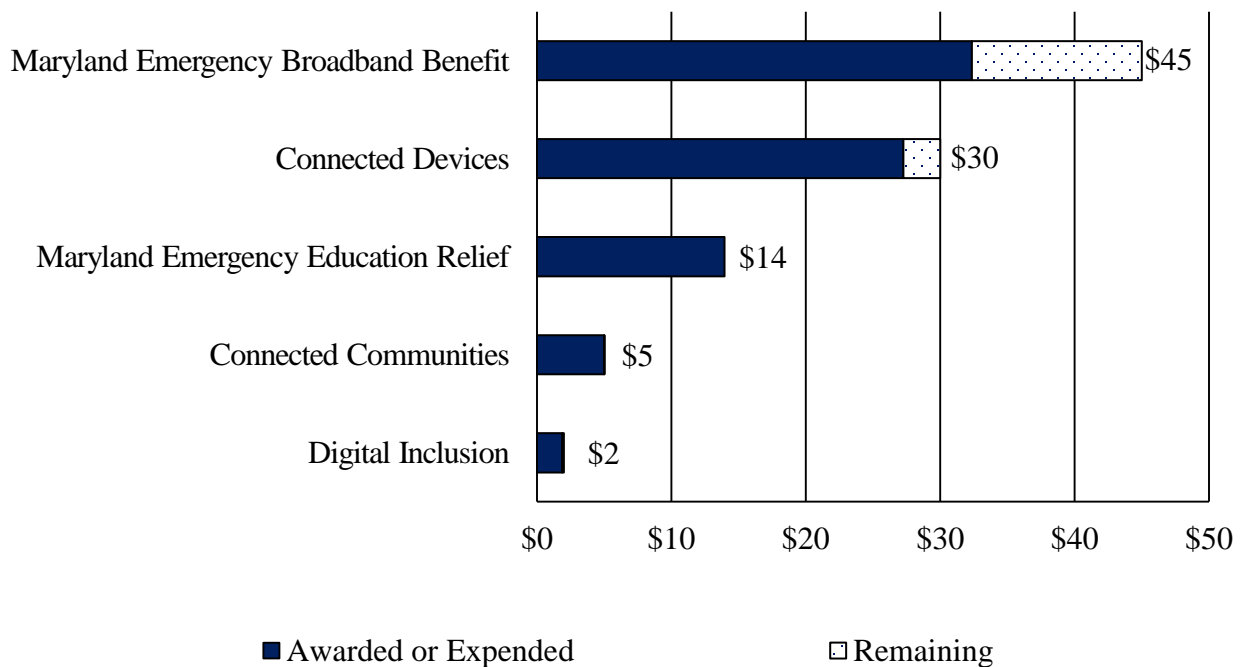


Note: Excludes general fund personnel costs.

Source: Governor’s Budget Books

Several programs funded through the operating budget launched in fiscal 2022 and 2023. 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 Coronavirus Aid, Relief, and Economic Security Act. **Exhibit 9** shows the funding awarded or expended under each program as well as remaining allocated funds.

Exhibit 9
Broadband Programs Funded in the Operating Budget
Fiscal 2022-2023
As of January 2024
(\$ 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 are receiving the MEBB subsidy, and more than 280,000 are enrolled in the ACP. Funding for the MEBB subsidy totals \$45.0 million appropriated in fiscal 2022, of which \$32.3 million has been expended as of January 2024. DHCD plans to modify the program beginning around April 2024 such that only wired or fixed wireless providers would be eligible for the remaining funding; currently cellular

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providers are also eligible. This change would allow DHCD to extend the length of the program.

- ***Connected Devices Program:*** provides computing devices to low-income households. The Board of Public Works 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.
- ***Maryland Emergency Education Relief:*** provides grants to schools, libraries, and community centers to support the needs of students that lack necessary Internet access. DHCD awarded \$14.0 million across two funding rounds in the second half of calendar 2022.
- ***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 awarded \$5.0 million for 27 projects in July 2022.
- ***Digital Inclusion Grant Program:*** provides grants to nonprofits, local jurisdictions, or educational institutions to improve digital adoption. DHCD awarded \$1.9 million for 30 digital inclusion projects in October 2022.

Anticipated Infrastructure Investment and Jobs Act Funding and Planning Efforts

The IJA includes more than \$60 billion in funding nationally for broadband programs. The largest program is the Broadband Equity, Access, and Deployment Program (BEAD), 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. In June 2023, the National Telecommunications and Information Administration (NTIA) announced that Maryland’s BEAD allocation will total \$267.7 million in addition to \$5.0 million that DHCD already received as a planning grant. Maryland is also expected to receive approximately \$4.8 million annually for five years under the State Digital Equity Capacity Grant Program to ensure access to affordable Internet service for disadvantaged and vulnerable communities. The fiscal 2025 allowance includes \$4.0 million for digital equity programs, and DHCD’s capital budget includes the entirety of Maryland’s BEAD award across fiscal 2024 and 2025.

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In November 2023, OSB published its draft plans for both the BEAD and Digital Equity programs:

- **BEAD:** The BEAD draft plan outlines the stakeholder outreach that OSB undertook in developing the plan; the anticipated award process and scoring criteria; and how OSB will ensure compliance with labor requirements, support workforce readiness and minority business enterprise participation, and reduce costs and barriers to deployment. OSB estimates that the BEAD allocation will be sufficient to fund fiber to the premises for the vast majority of unserved locations in the State and potentially to most underserved locations. OSB anticipates spending 95% of its award on broadband infrastructure deployment, with remaining funding supporting administrative activities. OSB will only plan to reallocate funds for nondeployment activities such as workforce development, capacity building, and digital equity supplemental funding if funds remain after the competitive grant process for deployment activities is complete. OSB’s final proposal will be due to the NTIA in December 2024 and will include anticipated provisional awards for projects. OSB anticipates making final awards in the first quarter of calendar 2025, and project construction is expected to be completed by the end of calendar 2028.
- **Digital Equity:** The draft 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 including (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. OSB is expected to receive State capacity grant funding in the first half of calendar 2024; a competitive program for non-State applicants will open following the State awards, with \$1.3 billion available nationally.

Operating Budget Recommended Actions

	<u>Amount Change</u>	
1. The fiscal 2025 allowance includes \$1.0 million in general funds for the same purpose. This action eliminates special funds for operating assistance grants that are double budgeted.	-\$1,000,000	SF
Total Special Fund Net Change	-\$1,000,000	

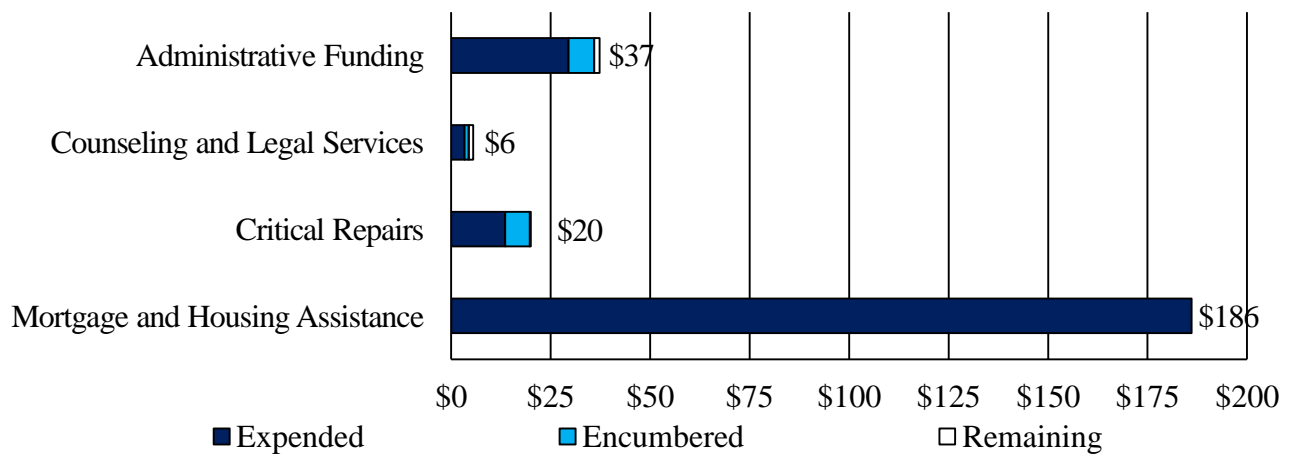
Updates

1. Homeowner Assistance Fund

The ARPA created the HAF to provide relief to homeowners at risk of displacement through foreclosure or loss of utilities or home energy services. The U.S. Treasury allocated funding based on states’ share of unemployed individuals and the number of borrowers with mortgages in foreclosure or more than 30 days delinquent. Maryland received \$248.6 million for the program, all administered by DHCD. Applications for HAF funds closed in September 2023, and DHCD reports that all funds have been committed to approved borrowers, with payments expected to be fully disbursed by March or April 2024.

Exhibit 10 shows a breakdown of how DHCD allocated its HAF funding as well as how much has been expended or approved to be paid in each category. The bulk of the funding is for grants and loans to prevent foreclosure, totaling \$186 million, or 75%, of DHCD’s HAF award. DHCD also set aside \$20 million of its HAF funding for a critical repairs grant program to address energy and health and safety issues that could lead to homeowner displacement. In total, the HAF has provided assistance to more than 18,000 Maryland households, including approximately 11,500 receiving financial assistance and 6,800 receiving counseling or legal services.

Exhibit 10
Homeowner Assistance Fund Allocations and Expenditures
As of January 2024
(\$ in Millions)



Note: Administrative funding includes \$14.8 million for an information technology contract including a call center and application processing system.

Source: Department of Housing and Community Development

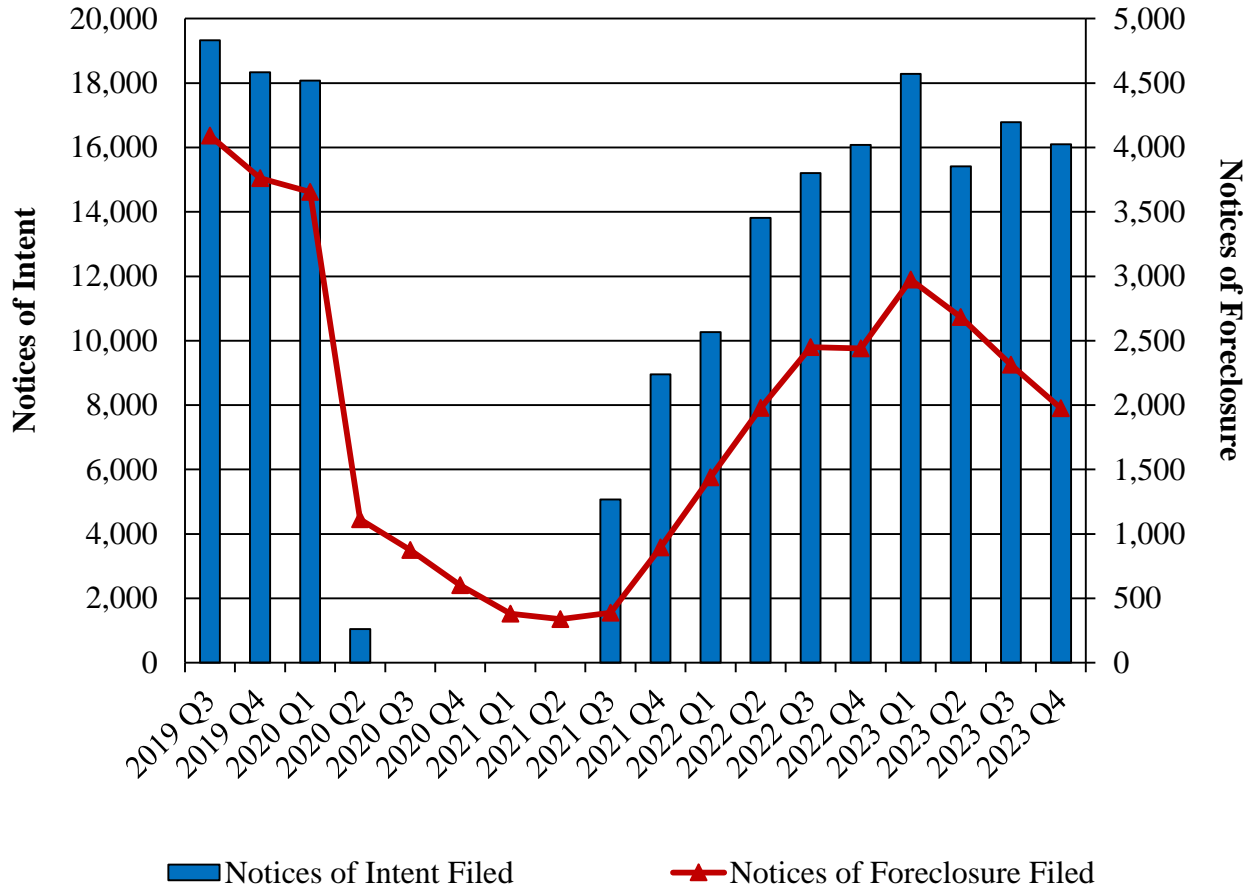
S00A – Department of Housing and Community Development

- Grants of up to \$20,000 targeted homeowners at imminent risk of displacement, with eligibility limited to households not exceeding 100% of the area median income (AMI). DHCD provided a total of \$115 million in HAF grants.
- No-interest loans of up to \$40,000 were available to homeowners with income up to 150% of AMI with the goal of reducing a homeowner’s monthly mortgage payment going forward to less than 50% of the borrower’s income. Repayment of the loan will be due at the end of the mortgage, although DHCD may allow full or partial forgiveness. DHCD provided a total of \$71 million in HAF loans.
- The critical repairs program provided grants of up to \$10,000 to households with income up to 150% of AMI for emergency repairs, such as mold remediation, asbestos and lead paint removal, electrical or plumbing repairs, and lack of heat or air conditioning, that homeowners had been unable to address due to the financial impact of COVID-19. DHCD provided \$19.8 million in critical repairs grants to more than 1,800 households.

Foreclosures Remain Below Prepandemic Levels

Exhibit 11 shows the number of Notices of Intent to Foreclose and Notices of Foreclosure (NOF) filed in Maryland with 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 have generally remained below prepandemic levels in calendar 2023, and NOFs have declined throughout the year.

Exhibit 11
Foreclosure Measures
October 2019 to December 2023



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

Appendix 1
2023 Joint Chairmen’s Report Responses from DHCD

The 2023 *Joint Chairmen’s Report* (JCR) requested that DHCD prepare one report and that the Housing Authority of Baltimore City (HABC) prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Broadband Planning Process:*** The committees requested a report on actions taken by OSB during the broadband planning process to engage with labor organizations and to ensure that broadband funding supports high quality jobs in the State. DHCD reported that during the BEAD planning process, OSB met with the Communications Workers of America several times, held a webinar and conducted a survey on workforce development, and collaborated with the Maryland Department of Labor and representatives from the State’s community colleges. DHCD noted that while labor shortages exist in needed occupations such as fiber and wireless technicians and manual labor roles, workforce shortages are not expected to have a significant impact on broadband infrastructure deployment timelines in Maryland. OSB plans to use the BEAD grant funding to encourage providers to hire and train new workers, and the department is in the process of developing scoring criteria for BEAD funding, which must include compliance with federal fair labor laws and may include components related to workforce development and local and equitable hiring. Further discussion of broadband planning efforts can be found in Issue 1 of this analysis.

- ***Air Conditioning in Residential Rental Units:*** The committees requested that HABC provide a report identifying the number of units owned or operated by HABC that have air conditioning and the number that do not. As of the time of writing, HABC had not submitted the requested report.

Appendix 2
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 2024			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Years	2024	2025	2026	2027	2028	Remainder	Total
SF	\$2.067	\$0.467	\$0.475	\$0.000	\$0.000	\$0.000	\$0.000	\$3.008
Total	\$2.067	\$0.467	\$0.475	\$0.000	\$0.000	\$0.000	\$0.000	\$3.008

- **Project Summary:** The project aims to procure and implement a commercial off-the-shelf system for the management of DHCD’s Housing and Building Energy programs. The new system will provide a comprehensive platform for case management, application information, audits, contractor information, and payment processing and tracking.
- **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:** DHCD awarded the contract for the system to Hancock Software in February 2023. The system has been implemented and is currently in the operations and maintenance phase throughout the remainder of calendar 2024.

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

<u>Object/Fund</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u> <u>Appropriation</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24 - FY 25</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	353.00	355.00	446.00	91.00	25.6%
02 Contractual	128.76	112.00	86.50	-25.50	-22.8%
Total Positions	481.76	467.00	532.50	65.50	14.0%
Objects					
01 Salaries and Wages	\$43,959,850	\$54,440,903	\$60,438,369	\$5,997,466	11.0%
02 Technical and Spec. Fees	9,601,843	8,949,919	7,127,741	-1,822,178	-20.4%
03 Communication	124,022	171,450	171,650	200	0.1%
04 Travel	252,084	337,372	429,100	91,728	27.2%
06 Fuel and Utilities	222,395	276,000	253,000	-23,000	-8.3%
07 Motor Vehicles	111,967	233,366	356,665	123,299	52.8%
08 Contractual Services	27,641,464	42,513,482	51,582,885	9,069,403	21.3%
09 Supplies and Materials	191,145	225,600	269,100	43,500	19.3%
10 Equipment – Replacement	393,179	1,175,500	1,910,000	734,500	62.5%
11 Equipment – Additional	122,203	197,000	211,500	14,500	7.4%
12 Grants, Subsidies, and Contributions	520,439,717	413,669,531	376,585,315	-37,084,216	-9.0%
13 Fixed Charges	4,857,779	5,122,200	5,248,240	126,040	2.5%
14 Land and Structures	25,858,544	0	0	0	0.0%
Total Objects	\$633,776,192	\$527,312,323	\$504,583,565	-\$22,728,758	-4.3%
Funds					
01 General Fund	\$39,861,853	\$41,751,906	\$40,756,861	-\$995,045	-2.4%
03 Special Fund	60,602,028	82,213,622	106,433,480	24,219,858	29.5%
05 Federal Fund	518,317,997	383,703,774	341,986,022	-41,717,752	-10.9%
09 Reimbursable Fund	14,994,314	19,643,021	15,407,202	-4,235,819	-21.6%
Total Funds	\$633,776,192	\$527,312,323	\$504,583,565	-\$22,728,758	-4.3%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 4
Fiscal Summary
Department of Housing and Community Development

<u>Program/Unit</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u> <u>Appropriation</u>	<u>FY 25</u> <u>Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25</u> <u>% Change</u>
01 Office of the Secretary	\$7,688,405	\$4,971,163	\$6,419,026	\$1,447,863	29.1%
03 Office of Management Services	11,248,486	13,298,351	14,885,667	1,587,316	11.9%
08 Office of Statewide Broadband	2,133,167	7,187,112	5,353,171	-1,833,941	-25.5%
01 Maryland Housing Fund	556,696	585,334	666,348	81,014	13.8%
02 Asset Management	6,293,531	6,989,398	8,411,578	1,422,180	20.3%
01 Neighborhood Revitalization	127,074,810	61,865,526	52,486,693	-9,378,833	-15.2%
01 Administration	6,450,773	6,750,067	7,404,875	654,808	9.7%
02 Housing Development Program	5,603,732	6,509,457	6,816,445	306,988	4.7%
03 Single Family Programs	96,612,075	59,637,116	10,051,091	-49,586,025	-83.1%
04 Energy Programs	33,392,665	53,401,986	65,954,717	12,552,731	23.5%
05 Rental Services Programs	325,222,529	293,380,815	311,154,008	17,773,193	6.1%
01 Information Technology	4,612,470	4,810,209	6,175,343	1,365,134	28.4%
01 Division of Finance and Administration	6,886,853	7,925,789	8,804,603	878,814	11.1%
Total Expenditures	\$633,776,192	\$527,312,323	\$504,583,565	-\$22,728,758	-4.3%
General Fund	\$39,861,853	\$41,751,906	\$40,756,861	-\$995,045	-2.4%
Special Fund	60,602,028	82,213,622	106,433,480	24,219,858	29.5%
Federal Fund	518,317,997	383,703,774	341,986,022	-41,717,752	-10.9%
Total Appropriations	\$618,781,878	\$507,669,302	\$489,176,363	-\$18,492,939	-3.6%
Reimbursable Fund	\$14,994,314	\$19,643,021	\$15,407,202	-\$4,235,819	-21.6%
Total Funds	\$633,776,192	\$527,312,323	\$504,583,565	-\$22,728,758	-4.3%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.