

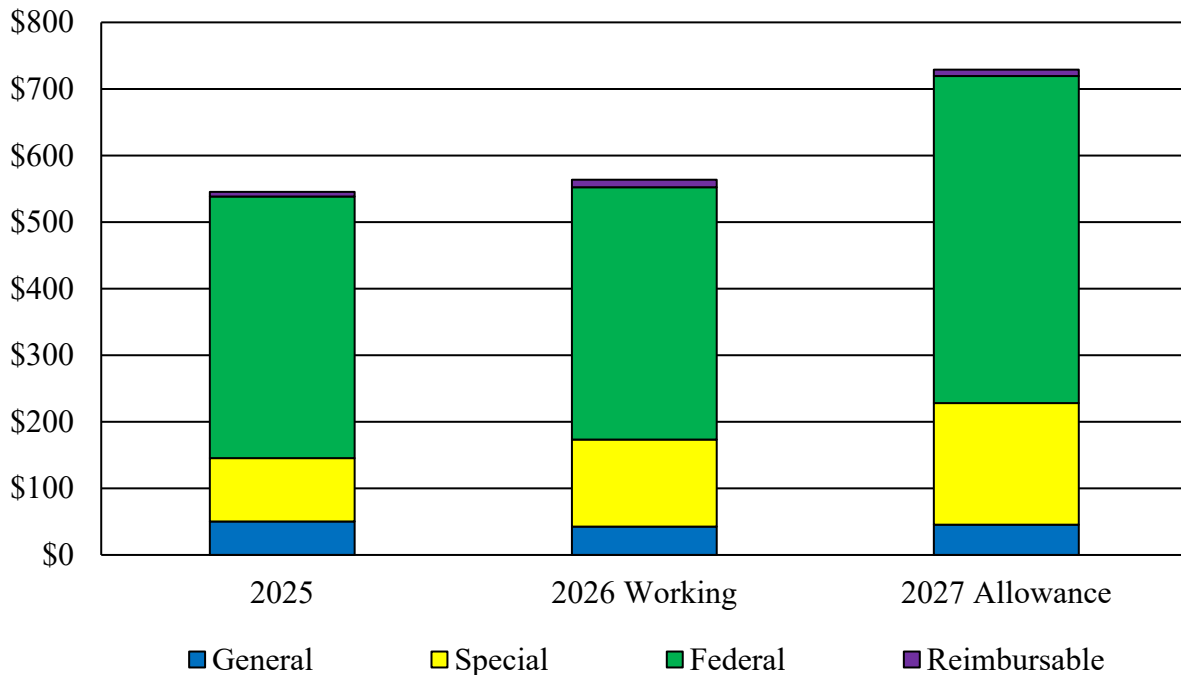
S00A
Department of Housing and Community Development

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 reorganized its programs in calendar 2024 and 2025 into the following divisions: Broadband; Credit Assurance, which includes the Maryland Housing Fund’s mortgage insurance activities; Policy, Strategy, and Research; Neighborhood Revitalization; Development Finance, which includes the Community Development Administration (CDA); Information Technology; Finance and Administration; Just Communities; Homeless Solutions; and Business Development. CDA issues nonbudgeted tax-exempt and taxable bonds and mortgage-backed securities that are a major source of DHCD revenues.

Operating Budget Summary

**Fiscal 2027 Budget Increases \$165.3 Million, or 29.3%, to \$729.0 Million
(\$ in Millions)**



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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- Federal funds increase by nearly 30% from the fiscal 2026 working appropriation to the fiscal 2027 allowance due to increased rental subsidies under the Section 8 Contract Administration and Housing Choice Voucher (HCV) programs.
- Special funds increase by nearly 40% due to increases in energy programs, including \$26.7 million of additional EmPOWER funding and \$22.0 million in new funding from the Strategic Energy Investment Fund (SEIF).
- General funds increase by \$2.9 million, or 7%, with increases for new initiatives for permanent supportive housing (PSH) (\$5.0 million) and Montgomery County façade improvement (\$3.0 million), offset by the end of mandated funding for the Greenhouse Gas Reduction Initiative (\$5.0 million).

Key Observations

- ***Division of Homeless Solutions Funding Totals \$48 Million, Including \$5 Million for New Initiative:*** The division uses both State and federal funds to address homelessness and housing instability. Fiscal 2027 general funds total \$25.5 million, including \$5.0 million for a new PSH program, which will provide rental subsidies and supportive services for an estimated 200 households.
- ***Funding for Energy Programs Increases 46%, Including New SEIF-funded Programs:*** The fiscal 2027 allowance includes \$126.5 million for DHCD’s energy programs, which includes \$80.8 million for the EmPOWER program and \$22.0 million for three new programs funded through the SEIF to provide grants and loans for electrification, solar projects, and electric vehicle charging infrastructure in affordable housing properties.

Operating Budget Recommended Actions

	<u>Amount Change</u>
1. Reduce funding for the Montgomery County Façade Refresh Grant Program.	-\$2,500,000
2. Modify contingent language on the general fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.	

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3. Modify contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.

Total Net Change to Fiscal 2027 Allowance **-\$2,500,000**

Updates

- ***Community School Families Rental Assistance Program Launches:*** Chapter 210 of 2024 created the Rental Assistance for Community School Families Program and Fund to provide rental assistance for eligible student households at community schools. The program opened for applications through local community-based organizations in fall 2025 and experienced overwhelming demand, exceeding \$31 million for the initial \$10 million in combined funding available from fiscal 2025 and 2026.
- ***Broadband Funding from the American Rescue Plan Act of 2021 (ARPA):*** \$82 million in ARPA funds was provided in DHCD’s operating budget in fiscal 2022 and 2023 to fund subsidized Internet service and devices, create or upgrade public computer labs, expand broadband access to low-income households, and promote digital inclusion efforts. The expenditure deadline for these funds is December 2026; DHCD has obligated all funds, and \$5.1 million remains to be expended as of December 2025.

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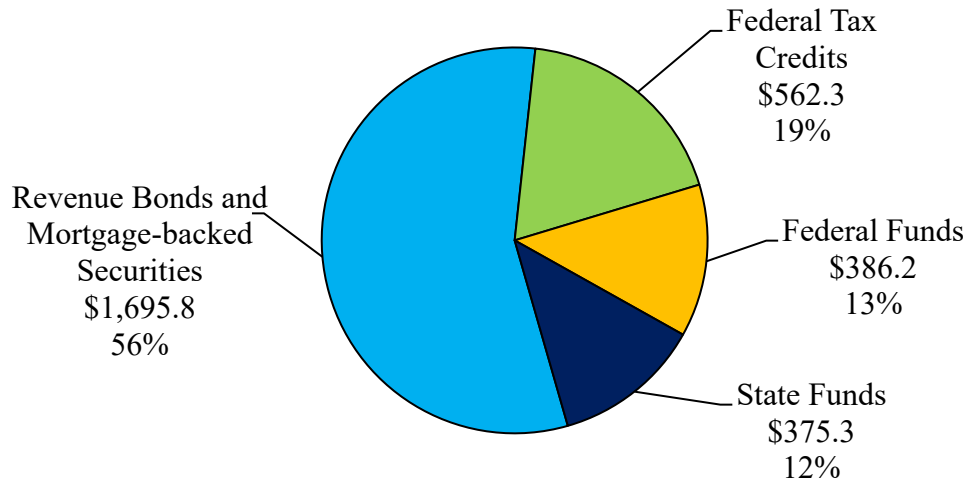
Operating Budget Analysis

Program Description

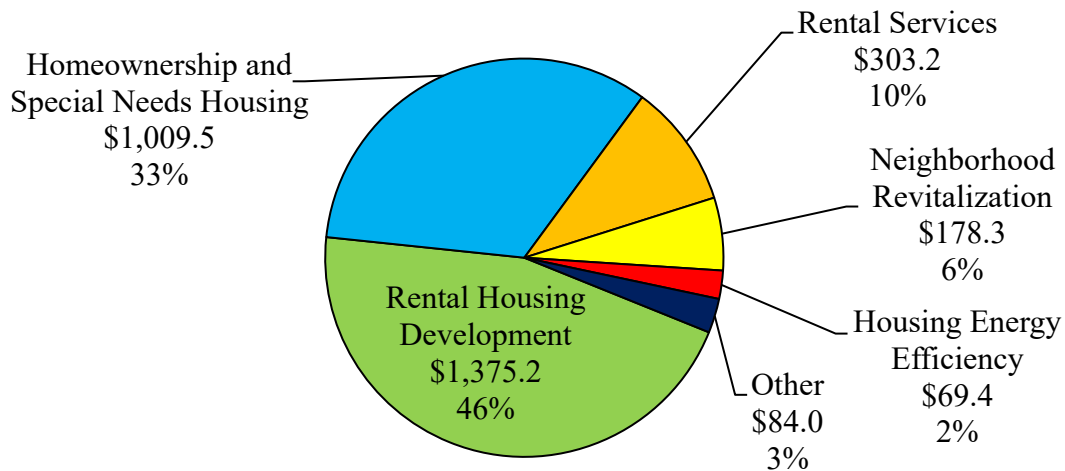
DHCD uses both budgeted and nonbudgeted funds to address Maryland’s housing needs. **Exhibit 1** shows the sources and uses of DHCD’s funding in fiscal 2025. Approximately 75% of DHCD’s funding in fiscal 2025 came from nonbudgeted revenue bonds, securities, or tax credits. DHCD’s budgeted federal and State funds account for 13% and 12%, respectively, of the department’s total funding. DHCD’s funding from all sources totaled \$3.1 billion in fiscal 2025, increasing by 14% from fiscal 2024. Rental housing development accounted for the largest share of DHCD’s expenditures in fiscal 2025 (46%).

Exhibit 1
Sources and Uses of DHCD’s Operating and Capital Budgets
Budgeted and Nonbudgeted Funds
Fiscal 2025
(\$ in Millions)

Sources of Funding



Uses of Funding



Total: \$3,109.6 Million

DHCD: Department of Housing and Community Development

Note: Other includes Homeless Solutions, Business Development, Broadband, and Local Government Finance.

Source: Department of Housing and Community Development

Federal Recissions – Broadband Digital Equity

In May 2025, the federal government announced the cancellation of digital equity programs funded under the Infrastructure Investment and Jobs Act (IIJA). Maryland was originally awarded \$13.4 million under the State Digital Equity Capacity Grant Program to ensure access to affordable Internet service for disadvantaged and vulnerable communities. DHCD had developed a draft Statewide Digital Equity Plan as required, which identified barriers to achieving digital equity and outlined a strategy for program implementation.

Although this funding is no longer available, DHCD reports that it continues to support digital equity efforts through available federal ARPA funds, which have an expenditure deadline of December 2026. The programs supported through ARPA funding are discussed further in the Updates section of this analysis. No other funding specifically supporting digital equity is included in the fiscal 2027 allowance.

Fiscal 2026

Status of Legislative Additions

The fiscal 2026 Budget Bill included \$425,000 added by the legislature for grants through DHCD. DHCD has issued award letters for all five grants; no funds have been expended to date, although the grantees have two years to expend the funds:

- \$150,000 for Humanim for the iHomes initiative;
- \$100,000 for the Olney Chamber of Commerce;
- \$75,000 for the Huntington City Community Development Corporation;
- \$50,000 for Damascus Main Street; and
- \$50,000 for Banner Neighborhoods Community Corporation.

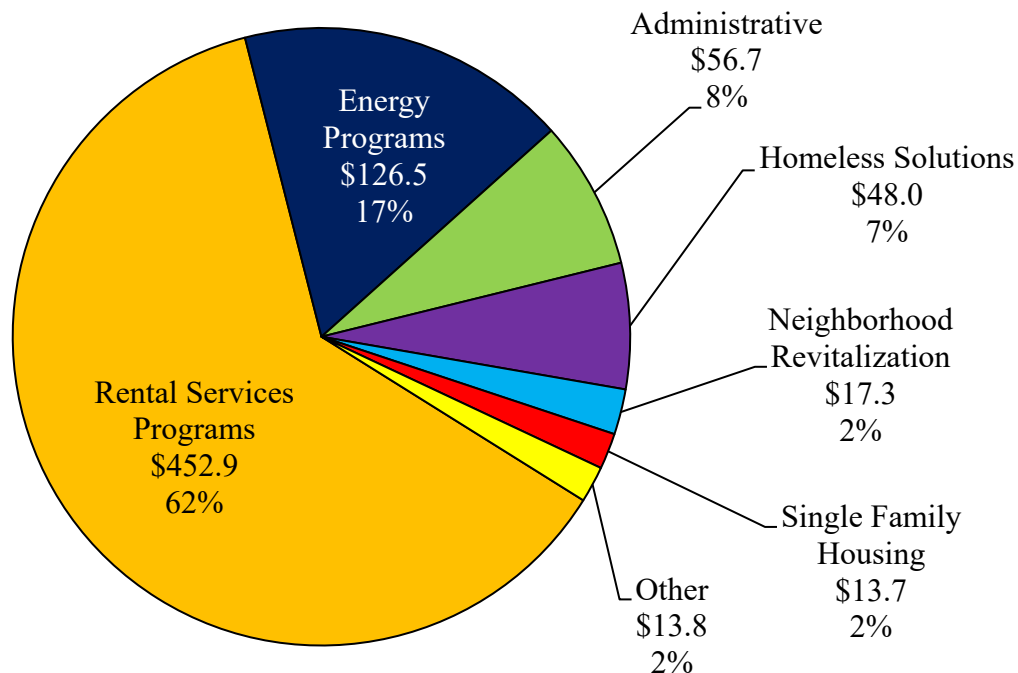
Proposed Deficiency

The fiscal 2027 budget includes one proposed fiscal 2026 deficiency for DHCD: \$31,005 in federal funds for administration, attributed to a technical error related to DHCD's reorganization.

Fiscal 2027 Overview of Agency Spending

As shown in **Exhibit 2**, the fiscal 2027 allowance is dominated by the Rental Services Program, which accounts for 62% of the \$729.0 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 (HUD). This contract includes \$384 million in rental subsidies in the fiscal 2027 allowance. Aside from rental services, energy programs account for the next largest share of DHCD’s budget (17%). Homeless Solutions forms a new division within the department, accounting for 7% of the budget; the division was formerly part of the Division of Neighborhood Revitalization, which now accounts for 2% of DHCD’s fiscal 2027 operating budget. The Division of Neighborhood Revitalization also manages a significant portion of DHCD’s capital budget programs, which are not reflected in Exhibit 2.

Exhibit 2
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 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 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 3**, the fiscal 2027 allowance increases by \$165.3 million (29%) compared to the fiscal 2026 working appropriation after accounting for deficiencies and contingent reductions. Federal funds increase nearly 30% due to increased rental subsidy costs, special funds increase nearly 40% due to increases and new initiatives in energy programs, and general funds increase nearly 7% to fund a new PSH initiative and to supplement a Montgomery County façade improvement program.

Exhibit 3
Proposed Budget
Department of Housing and Community Development
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$50,255	\$95,158	\$392,935	\$6,932	\$545,279
Fiscal 2026 Working	42,655	130,671	379,117	11,292	563,735
Fiscal 2027 Allowance	45,572	182,689	491,229	9,532	729,021
Fiscal 2026-2027 \$ Change	\$2,917	\$52,018	\$112,111	-\$1,760	\$165,286
Fiscal 2026-2027 % Change	6.84%	39.81%	29.57%	-15.59%	29.32%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits	\$2,276
Employee and retiree health insurance	2,338
Reclassifications	387
Funding for 1 new position for new Permanent Supportive Housing initiative	129
Other fringe benefit adjustments	148
Rental Assistance	
Rental subsidies under Section 8 administration contract (32% increase)	94,000
Section 8 Housing Choice Voucher Program (57% increase)	15,300
Federal Section 811 Program providing rental assistance for people with disabilities	200
Rental assistance for victims of domestic violence and other crimes	-178
Energy	
EmPOWER Maryland.....	26,677
New SEIF funding: Low- and Moderate-Income Multifamily Building Electrification Program	10,000
New SEIF funding: Multifamily Solar Program	10,000

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Where It Goes:	<u>Change</u>
New SEIF funding: Multifamily Electric Vehicle Supply Equipment Program	2,000
Federal funds for training weatherization inspectors	-270
Software contracts supporting various energy programs	-345
Maryland Energy Assistance Program receiving reduced funding from DHS	-578
Emergency repairs for Western Maryland flooding provided in fiscal 2026	-1,000
Maryland Energy Efficiency Tune-up program ending.....	-1,450
Mandate ending for Climate Solutions Now – Greenhouse Gas Reduction Program (Chapter 38 of 2022).....	-5,000
Division of Homeless Solutions	
New Permanent Supportive Housing Program	4,871
Federal funds for the Community Services Block Grant Program	377
New mandate for Community Action Agencies (Chapter 288 of 2025)	250
Federal funds for youth homeless systems improvements	-400
American Rescue Plan Act funding for the HOME program.....	-500
Division of Just Communities	
Contracts for consultants and research.....	608
Grant to Maryland Volunteer Legal Services to resolve titling issues	250
GIS services contract.....	150
Other Changes	
New funding to supplement Montgomery County’s Façade Refresh Grant Program	3,000
Federal funds for health and safety repair and lead hazard programs; \$5.0 million was added by budget amendment in fiscal 2026 but is not yet reflected in the working appropriation	2,571
Software costs for the Division of Neighborhood Revitalization	540
Enhanced funding for the Circuit Rider Program	250
Broadband general fund operating grants	-162
Fiscal 2026 legislative additions for grants to community organizations	-425
Contractual personnel decrease by 4.0 FTE across the agency.....	-738
Other changes	9
Total	\$165,286

DHS: Department of Human Services
 FTE: full-time equivalent
 GIS: geographic information system
 SEIF: Strategic Energy Investment Fund

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Budget Reconciliation and Financing Act

The Budget Reconciliation and Financing Act (BRFA) of 2026 includes a provision that expands the eligible uses of the SEIF to cover programs and initiatives related to State climate change mitigation and climate change resiliency efforts. DHCD’s fiscal 2027 allowance includes a contingent reduction of \$183,673 in general funds and a contingent appropriation of \$191,321 in special funds from the SEIF, both for personnel costs related to this provision. The SEIF funds will be used in place of general funds to fund 2 existing positions for administration of DHCD energy programs. **The Department of Legislative Services (DLS) recommends adding more specific language to the contingency language to more closely align with the applicable BRFA provision.**

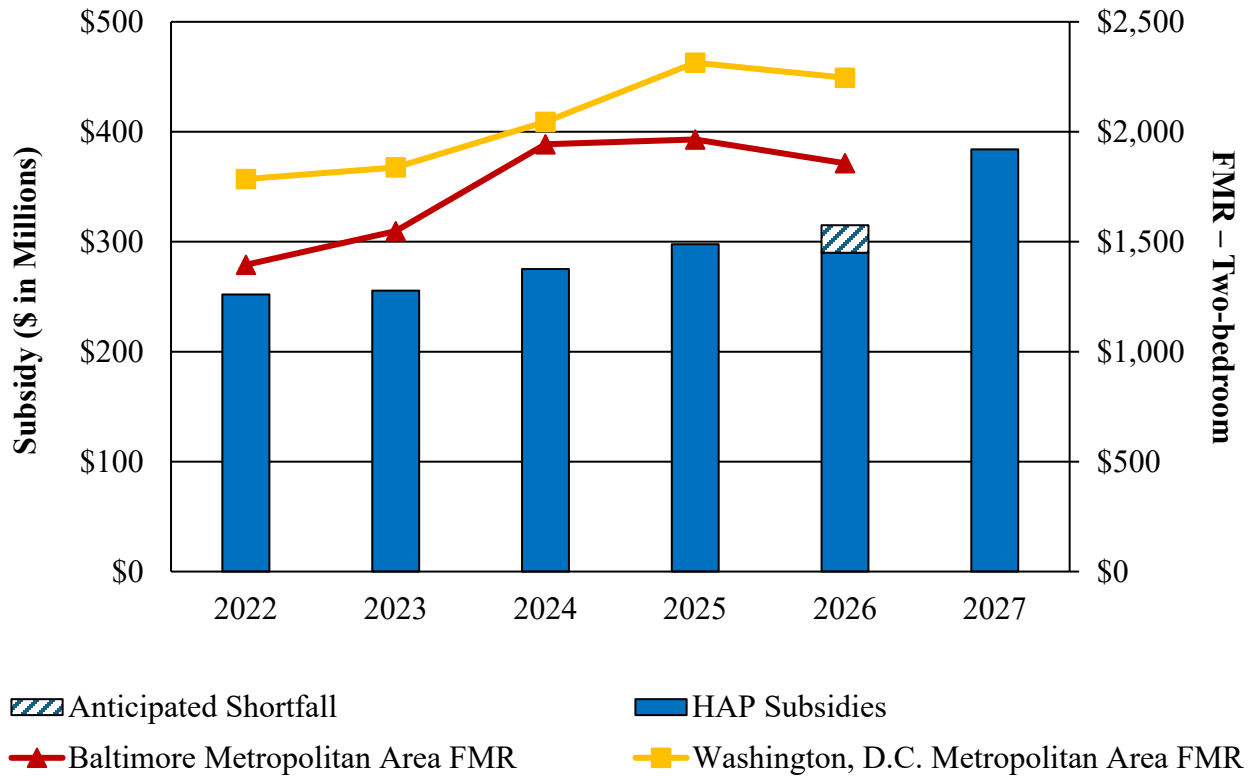
DHCD’s fiscal 2027 allowance includes an additional \$22 million available from the SEIF for energy programs that are not contingent on provisions in the BRFA. This funding is discussed further in Issue 2 of this analysis.

Federal Rental Assistance Increases by 34%

DHCD’s total federal funding for rental assistance subsidies increases by \$109.5 million (34%) to \$432.3 million in the fiscal 2027 allowance compared to the fiscal 2026 working appropriation. The largest component of DHCD’s federal rental assistance is the Section 8 Housing Assistance Payments (HAP) Program for project-based rental assistance, which DHCD administers statewide under a contract with HUD. While the Section 8 HCV Program is larger overall, it forms a smaller component of DHCD’s budget, because most jurisdictions receive their HCV funding directly, and DHCD only manages the program for rural portions of the State. HAP funding in DHCD’s budget increases by \$94 million (32%) to \$384 million; DHCD’s HCV funding increases by \$15.3 million (57%) to \$42 million.

Increased funding is primarily driven by increased per-unit costs, as rent and utility costs have risen faster than tenant income. Tenants generally pay a fixed share of their income toward rent and utilities, and the subsidy covers the remainder up to a payment standard set by HUD. **Exhibit 4** shows the funding for HAP subsidies in DHCD’s budget from fiscal 2022 to the fiscal 2027 allowance as well as the HUD fair market rent (FMR) used to set payment standards for a two-bedroom apartment in the Baltimore and Washington, D.C. metropolitan areas. The FMR data does not include adjustments for utilities, which may further account for increased costs. Based on current expenditure rates, DHCD estimates a potential shortfall of \$25 million to \$30 million in fiscal 2026 compared to the current working appropriation; based on those estimates, the fiscal 2027 budget would represent a 20% to 22% increase over anticipated fiscal 2026 costs.

**Exhibit 4
Housing Assistance Payment Subsidies and Fair Market Rent
Fiscal 2022-2027**



FMR: fair market rent
 HAP: Housing Assistance Payments

Note: FMR is shown by federal fiscal year; subsidies are shown by State fiscal year.

Source: Governor’s Budget Books; U.S. Department of Housing and Urban Development

Montgomery County Façade Program

The fiscal 2027 allowance includes \$3 million in general funds to support the Montgomery County Façade Refresh Grant Program. The Façade Refresh Program is an existing Montgomery County program to assist businesses with costs to upgrade storefront signs, canopies, and exterior paint. DHCD notes that Montgomery County has allocated \$3.5 million to its façade improvement programs since fiscal 2022, including \$1.5 million anticipated in fiscal 2027. To date, the Façade Refresh Program has had a maximum award amount of \$15,000 per business, although DHCD indicates that Montgomery County plans to double the maximum amount to \$30,000; the grant would still cover 50% of total project costs.

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Based on the revised maximum award amount of \$30,000, State funding of \$3 million would support at least 100 businesses. DHCD reports that the Montgomery County program has served 30 businesses to date, with an additional 25 in progress. **DHCD should comment on the county’s capacity to implement a much larger program in fiscal 2027 and any planned requirements regarding the timeline for the expenditure of funds provided to the county.**

Although the program is available to businesses throughout Montgomery County, the county intends to prioritize businesses located within half a mile of Purple Line stations. The county estimates that approximately half of the funding is expected to serve businesses within half a mile of Purple Line stations.

DHCD’s Maryland Façade Improvement Program, funded through general obligation (GO) bonds in the capital budget, also provides funds to supplement local façade improvement programs. Fiscal 2027 funding for that program totals \$5 million in GO bonds, which includes a proposed award of \$600,000 for Montgomery County’s Countywide Façade Improvement Program, which is similar to the Façade Refresh Program but covers larger façade improvement projects. The combined State funding of \$3.6 million in fiscal 2027 exceeds Montgomery County’s \$3.5 million allocated since the start of these façade improvement programs in fiscal 2022.

DLS recommends reducing general funds to support Montgomery County façade programs by \$2.5 million. Funding can be fully or partially replaced with GO bonds. DHCD indicates that a portion of the \$3 million in the allowance is intended to support Montgomery County’s operating costs; this recommendation would leave some funding in place for non-bond-eligible costs.

Just Communities

Chapters 147 and 148 of 2024 authorized DHCD to designate areas meeting certain criteria as “Just Communities” that would be eligible for prioritization of State funding under programs to be identified by the Governor. Criteria for designation included the need for reinvestment in the area as evidenced by trends in various housing and economic factors, in addition to having been negatively impacted by a history of (1) forms of legal racial segregation; (2) the demolition of residential neighborhoods through the use of eminent domain or State or federal funding; (3) a State imprisonment rate higher than 750 per 100,000 persons; or (4) unequal exposure to environmental and health hazards.

DHCD established a Division of Just Communities and in June 2025, announced the 419 census tracts designated as Just Communities. The 2024 *Joint Chairmen’s Report* (JCR) requested that DHCD submit a report identifying the designated communities and laying out DHCD’s planned efforts to publicize these designations. DHCD submitted the report as requested in July 2025, which summarized the methodology used in making the Just Communities designations and noted that information on Just Communities has been added to the web pages for all relevant DHCD programs for which Just Communities will be prioritized. The designated census tracts are listed in the report, available on the DLS Library website, and can also be viewed on DHCD’s Just Communities website.

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DHCD’s website also includes a list of programs for which projects located in Just Communities will receive prioritization, beginning with fiscal 2026 awards. Eligible programs include all of DHCD’s State Revitalization Programs funded through the capital budget (such as the Baltimore Regional Neighborhood Initiative, National Capital Program, and Community Legacy, among others), as well as Neighborhood BusinessWorks (NBW), various energy assistance and homeowner repair programs, the Maryland Housing Counseling Fund, Community Investment Tax Credit, and operating assistance grants for Main Streets and community development organizations. Most of these programs are competitively awarded, and DHCD indicates that applicants within Just Communities will receive 10 bonus points in the scoring criteria. However, several other eligible listed programs, including NBW and energy and homeowner repair programs, are awarded on a first-ready, first-served basis among eligible applicants, and it is unclear how prioritization will be implemented in those cases. **DHCD should clarify what it means for projects in Just Communities to receive prioritization in programs that are first-ready, first-served.**

The fiscal 2027 allowance includes \$1.5 million for the Division of Just Communities, which includes funding for 2 regular positions and 1 contractual position as well as funding for the following grants and contracts:

- \$250,000 in general funds for a grant to Maryland Volunteer Legal Services to provide affordable legal services for estate planning and clearing title under a pilot program to address “tangled title” issues targeting Just Communities and Engaging Neighborhoods, Organizations, Unions, Governments, and Households (ENOUGH) neighborhoods. This effort represents a collaboration between DHCD’s Just Communities and Homeless Solutions divisions and the Governor’s Office for Children, which manages the ENOUGH program and has identified tangled titles as a priority in its racial wealth gap strategy;
- \$333,333 in special funds available from DHCD revenues for a contract for consultants to contribute to the development of a framework to measure equity in Maryland to evaluate the social impact of investments in Just Communities. This effort is intended to help answer questions, such as whether funds are directed to areas with the highest racial and economic need; whether small towns and rural counties have fair access to State and federal funding; and whether investments are successful in closing racial gaps in income, homeownership, and health; and
- \$275,000 in special funds from DHCD revenues for a contract to develop a Displacement Risk Scorecard in collaboration with community leaders and grassroots organizations to assess projects’ potential to achieve place-based impact and improve social equity outcomes. The study will look at case studies of communities vulnerable to displacement and begin to develop decision-making criteria and pilot processes to identify best practices and address feedback.

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	446.00	446.00	447.00	1.00
Contractual FTEs	<u>68.89</u>	<u>74.50</u>	<u>70.50</u>	<u>-4.00</u>
Total Personnel	514.89	520.50	517.50	-3.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	25.39	5.68%
Positions and Percentage Vacant as of 12/31/2025	17.10	3.84%

Vacancies Below Turnover 8.29

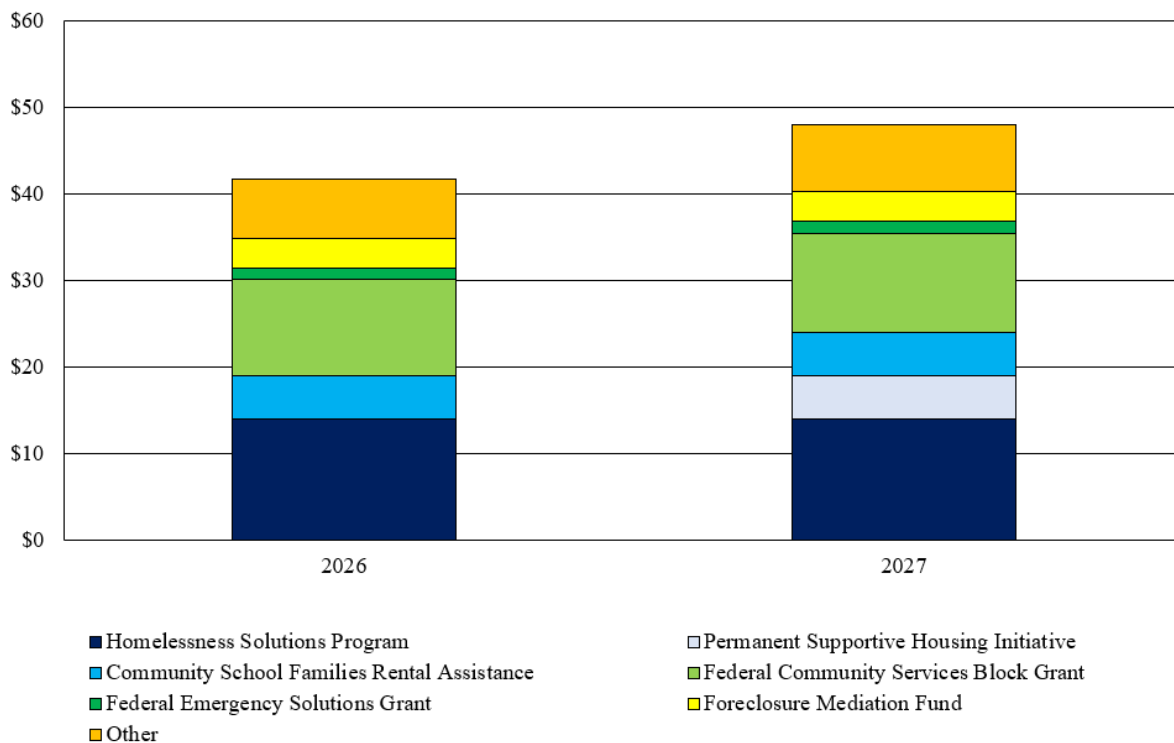
- DHCD’s fiscal 2027 allowance includes 1 new position to support the new permanent supportive housing initiative, which is discussed further in Issue 1 of this analysis. The new position will be responsible for working with developers, Continuums of Care (CoC), and service providers on program implementation; managing program referrals; and coordinating with other State and local agencies to leverage Medicaid waiver funding to cover certain supportive services costs.
- Contractual positions decrease by a net 4.0 full-time equivalents across the department, primarily reflecting contractual conversions in rental services programs.

Issues

1. Division of Homeless Solutions Funding Totals \$48 Million

The Division of Homeless Solutions manages several State and federal programs with the goal of ending chronic homelessness. The fiscal 2027 allowance for the division totals \$48.0 million, as shown in **Exhibit 5**. General funds total \$25.5 million, including \$14.1 million for Homelessness Solutions Program (HSP) grants to local CoCs, \$5.0 million for the Community School Families Rental Assistance Program (discussed further in the Updates section of this analysis), and \$5.0 million for a new PSH initiative. Federal funds include \$11.4 million (24% of total funding) for the Community Services Block Grant Program, with 90% of that funding passed through to local community action agencies for various poverty elimination programs and services. Chapter 4 of the 2025 special session directed a portion of proceeds from Instant Ticket Lottery Machines at fraternal organizations to HSP to use to assist veterans and families of veterans; the distribution is estimated at \$1.0 million in fiscal 2027, which is not reflected in the allowance.

Exhibit 5
Division of Homeless Solutions Funding
Fiscal 2026-2027
(\$ in Millions)



Source: Governor’s Fiscal 2027 Budget Books

New PSH Initiative

The fiscal 2027 allowance includes \$5.0 million in general funds for a new PSH program, including funding for 1 position and \$4.9 million in grant funding for rental assistance and supportive services. PSH refers to permanent housing (not time-limited) that pairs long-term rental subsidies with voluntary supportive services, targeted toward individuals who have experienced chronic homelessness. PSH fits into the Housing First model, which prioritizes providing housing to individuals experiencing homelessness without preconditions or required treatment; the White House issued an executive order in July 2025 ending federal support for the Housing First model.

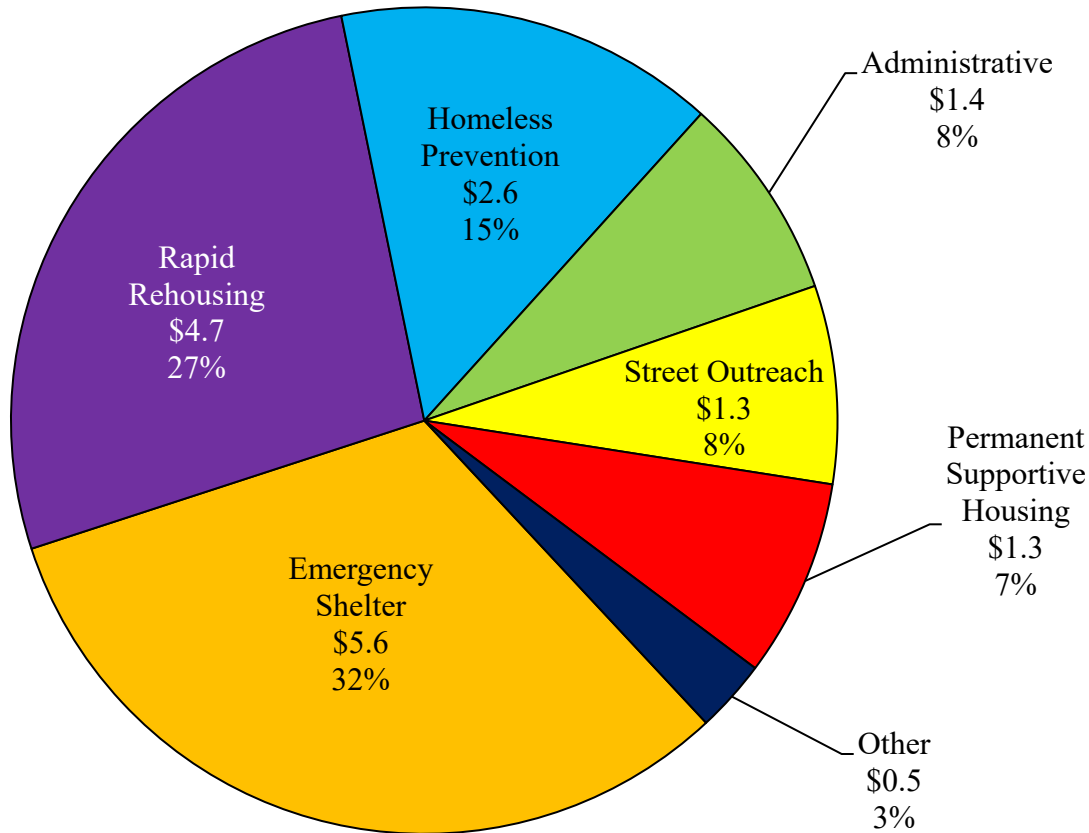
DHCD's new PSH initiative will complement DHCD's recent efforts to support PSH through preferences in awarding federal Low Income Housing Tax Credits (LIHTC) that began with the calendar 2025 competitive LIHTC round. DHCD anticipates the funding will support approximately 200 households, which is also the approximate number of PSH or homeless preference units expected to be created through the 2025 and 2026 LIHTC award cycles. This represents approximately \$25,000 per household.

DHCD plans to award funds to local community-based providers to administer the rent subsidies and provide wraparound services, while DHCD will act as a coordinating entity and track program utilization and outcomes.

HSP Awards

Through its ongoing HSP grants, DHCD awards funding to local CoCs through a consolidated funding application, and the CoCs use the funds to provide services, such as shelter operations, street outreach, rapid rehousing, and homelessness prevention. PSH is also an eligible use of this funding. **Exhibit 6** shows the allocation of fiscal 2026 HSP awards by purpose, with nearly 60% supporting emergency shelter and rapid rehousing. DHCD estimates this funding will serve more than 14,200 people.

Exhibit 6
Homelessness Solutions Funding by Purpose
Fiscal 2026
(\$ in Millions)

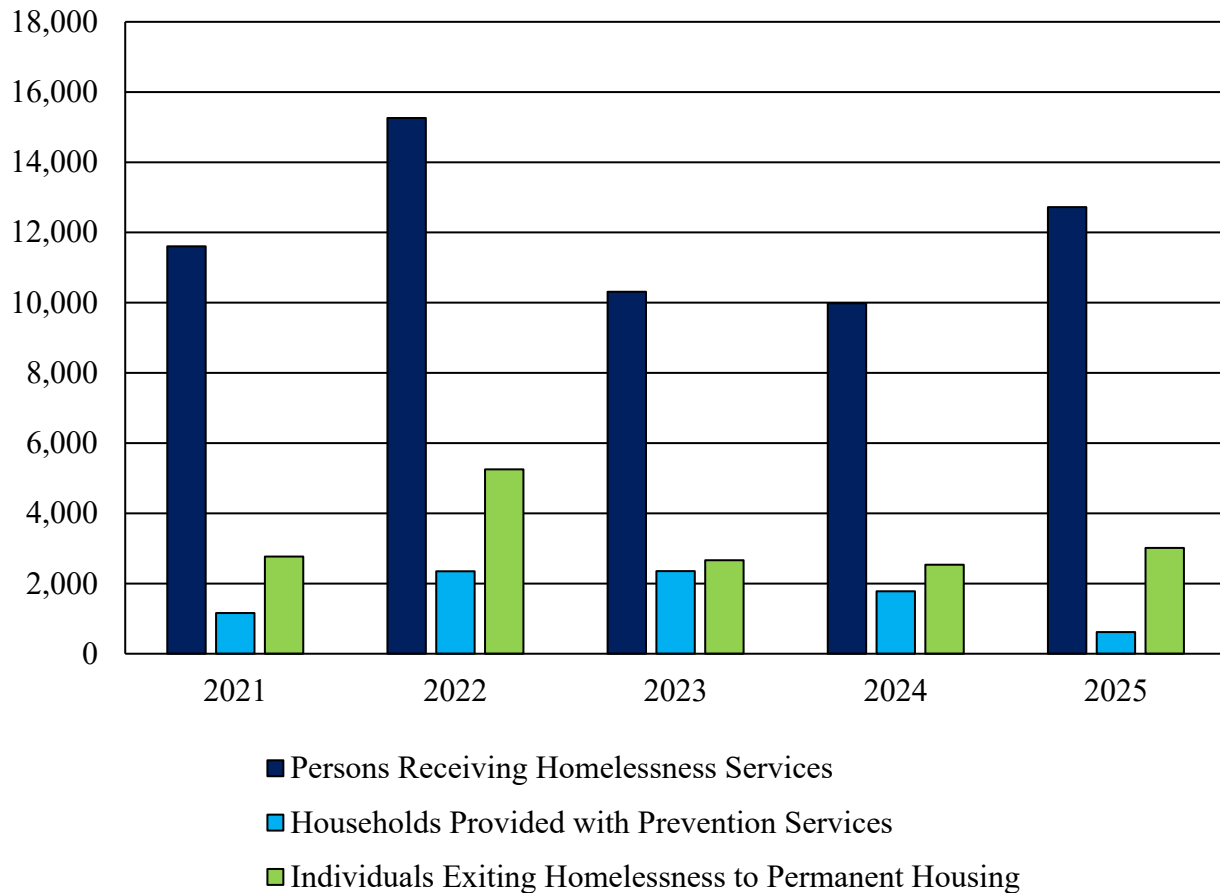


Note: Funding includes State fiscal 2026 funds as well as federal Emergency Rental Assistance funding remaining from fiscal 2025. Includes \$2.2 million for youth programs, which the Department of Housing and Community Development no longer identifies as a separate category. Other includes Homeless Management Information System funding and direct cash assistance.

Source: Department of Housing and Community Development

As shown in **Exhibit 7**, HSP provided assistance to more than 12,700 people who were homeless or at risk of homelessness in fiscal 2025, which represents a significant increase (27%) compared to fiscal 2024. The number of households provided with prevention services declined, while individuals exiting homelessness to permanent housing increased.

**Exhibit 7
Homeless or At-risk of Homelessness Served
Fiscal 2021-2025**

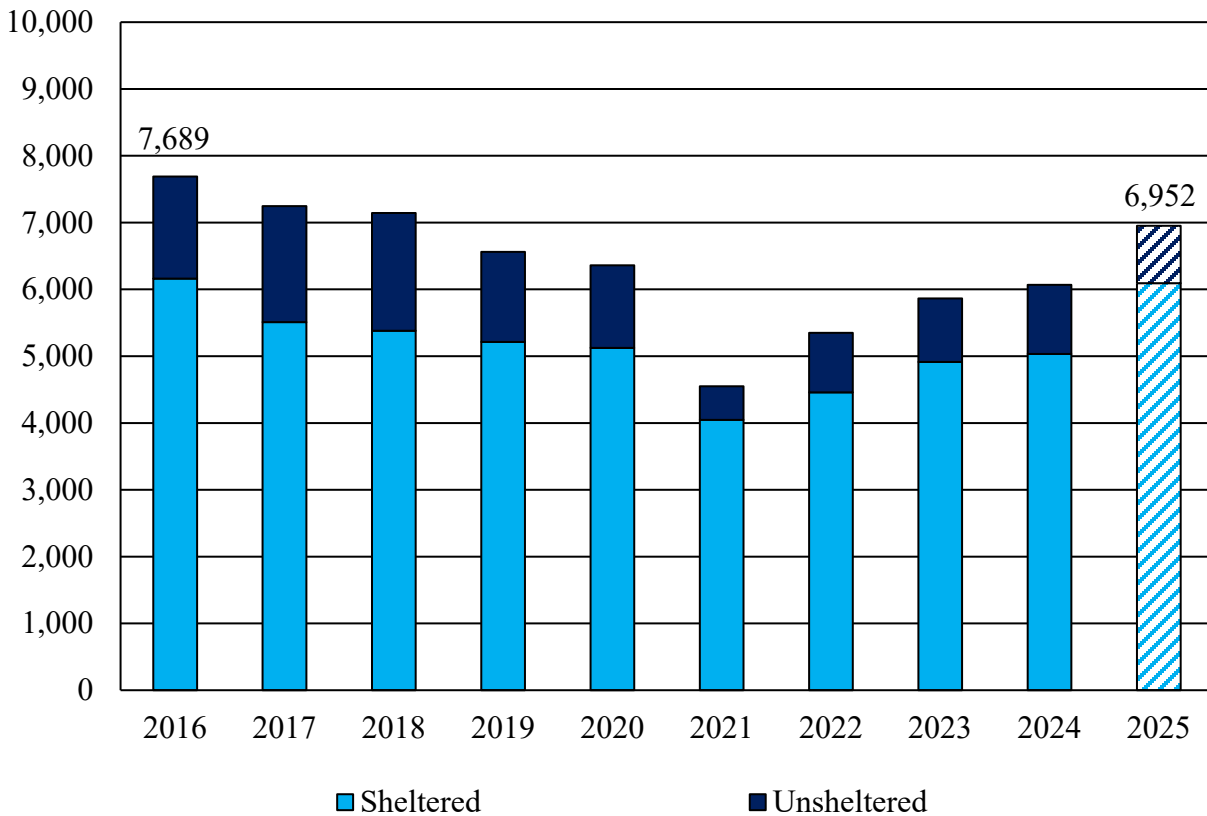


Source: Governor’s Fiscal 2027 Budget Books

Preliminary Data Shows Increase in Homelessness in 2025

As shown in **Exhibit 8**, the number of homeless individuals identified in Maryland during the annual point-in-time count has increased annually since hitting a low of 4,550 in January 2021. Based on preliminary data, the January 2025 count is the highest level since 2018. DHCD cautions that the 2025 data come from individual CoC submissions and have not yet been validated by HUD. Overall, this measure of Maryland’s homelessness levels was 21% lower in calendar 2024 than in calendar 2016, compared to an increase of 40% 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 8
Homeless Individuals in Maryland
January 2016 to January 2025 Point-in-time Counts



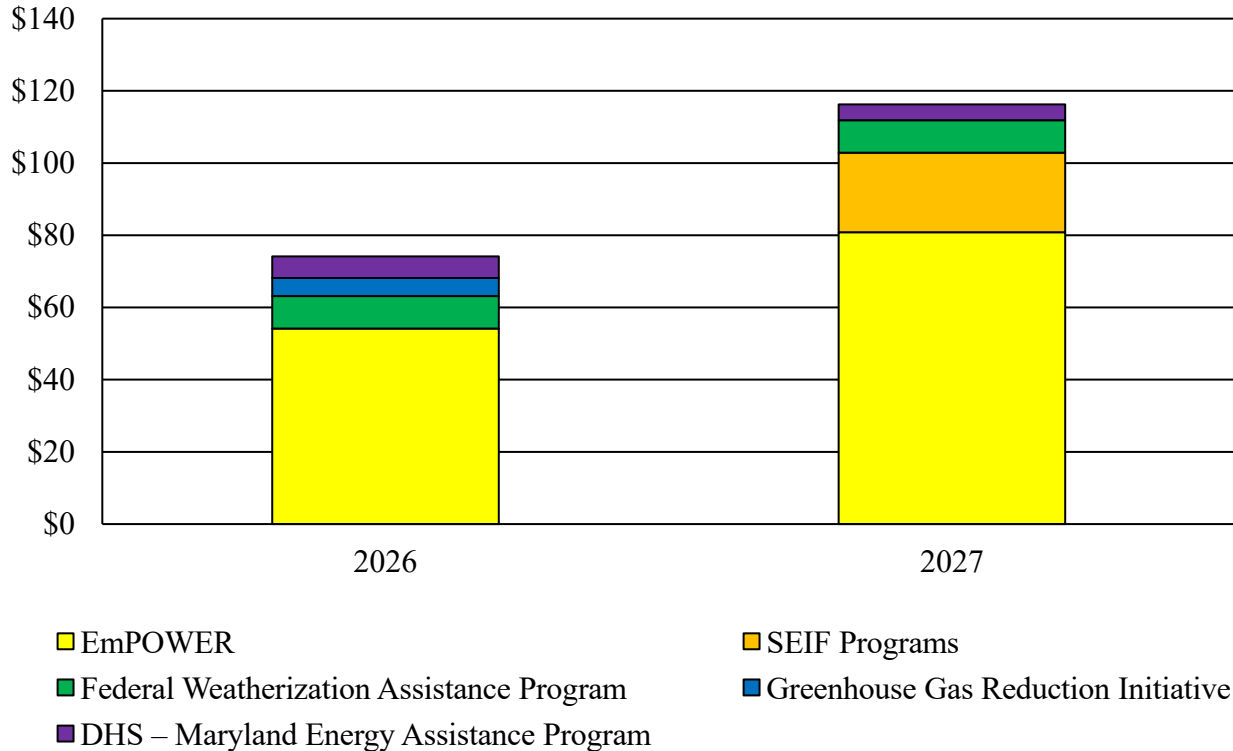
Note: January 2025 data is preliminary and has not been validated by the U.S. Department of Housing and Urban Development.

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

2. Energy Programs Funding Increases by 46%

DHCD operates several State- and federally funded energy programs that assist both single family households and multifamily housing in undertaking energy efficiency, weatherization, and related health and safety projects. Overall, funding for energy programs in DHCD’s operating budget increases by \$40.0 million, or 46%, to a total of \$126.5 million, after accounting for contingent reductions. **Exhibit 9** shows the major components of the energy programs in DHCD’s operating budget and the change from the fiscal 2026 working appropriation to the fiscal 2027 allowance.

Exhibit 9
Major Components of DHCD’s Energy Programs
Fiscal 2026-2027
(\$ in Millions)



DHCD: Department of Housing and Community Development
DHS: Department of Human Services
SEIF: Strategic Energy Investment Fund

Note: Excludes administrative funding. Maryland Energy Assistance Program funding includes \$1 million in flood relief for Western Maryland in fiscal 2026.

Source: Governor’s Fiscal 2027 Budget Books

EmPOWER Maryland is the largest component of DHCD’s energy programs. The program is funded through an assessment on utility ratepayers and helps low-income households undertake energy conservation projects in their homes at no charge. Funding for EmPOWER has increased over the last several years in order 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. EmPOWER grants and contracts in DHCD’s operating budget increase by \$26.7 million to a total of \$80.8 million in the fiscal 2027 allowance, reflecting upcoming increases for the next three-year program cycle that begins halfway through fiscal 2027. DHCD’s capital budget also

includes \$54 million in EmPOWER funds for the program’s multifamily component, which is level-funded with fiscal 2026.

New SEIF Programs

For the first time, DHCD’s fiscal 2027 allowance also includes \$22 million available from the SEIF to provide grants and loans, in addition to personnel funding from the SEIF for 2 existing positions that were previously funded using general funds. The personnel funding from the SEIF is contingent on legislation expanding the uses of the SEIF, while the grant and loan funding is not contingent. The SEIF funds will cover three new programs:

- ***Low- and Moderate-Income (LMI) Multifamily Building Electrification Program – \$10 Million:*** This program will fund electrification efforts in affordable housing properties and is intended as the successor to the Greenhouse Gas Reduction Initiative, which received mandated general funds of \$5 million annually from fiscal 2024 to 2026. While electrification is also an eligible use of EmPOWER funds, EmPOWER primarily focuses on energy efficiency. The LMI Multifamily Building Electrification Program will also be available statewide, rather than limited to EmPOWER utility territories;
- ***Multifamily Solar Program – \$10 Million:*** This program will provide grants and loans to fund solar and battery installation projects at multifamily properties; and
- ***Multifamily Electric Vehicle Supply Equipment Program – \$2 Million:*** This program will fund electric vehicle charging infrastructure in multifamily properties. The Maryland Energy Administration (MEA) operates a similar program serving local governments and other public or commercial properties. DHCD notes that administrative efficiencies can be achieved through DCHD managing a multifamily version of the program, as DHCD can incorporate charging infrastructure awards along with other DHCD funding for affordable housing properties without the need for properties to submit a separate application to MEA.

Increases Offset by Ending Mandate and One-time Fiscal 2026 Flood Relief

The increased funding for EmPOWER and SEIF programs is partially offset by the following decreases in energy funding in the fiscal 2027 allowance compared to the fiscal 2026 working appropriation:

- \$5 million in general funds for the Greenhouse Gas Reduction Initiative, which was mandated annually from fiscal 2024 to 2026 by the Climate Solutions Now Act (Chapter 38 of 2022); and
- \$1 million in reimbursable funds from the Department of Human Services that was provided in fiscal 2026 for emergency furnace and hot water heater repairs and replacement for households impacted by flooding in Allegany and Garrett counties.

Operating Recommended Actions

	<u>Amount Change</u>
1. Reduce funds for the Montgomery County Façade Refresh Program. Funding may be fully or partially replaced using general obligation bonds.	-\$2,500,000 GF
2. Add the following language to the general fund appropriation: , provided that this appropriation shall be reduced by \$183,673 contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund <u>to include programs and applicable initiatives related to State climate change mitigation and climate change resiliency efforts</u>	
Explanation: This language adds specificity to contingent language on the general fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.	
3. Add the following language to the special fund appropriation: , provided that \$191,321 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund <u>to include programs and applicable initiatives related to State climate change mitigation and climate change resiliency efforts</u>	
Explanation: This language adds specificity to contingent language on the special fund appropriation to more closely align with the applicable Budget Reconciliation and Financing Act provision.	
Total Net Change to Fiscal 2027 Allowance	-\$2,500,000

Updates

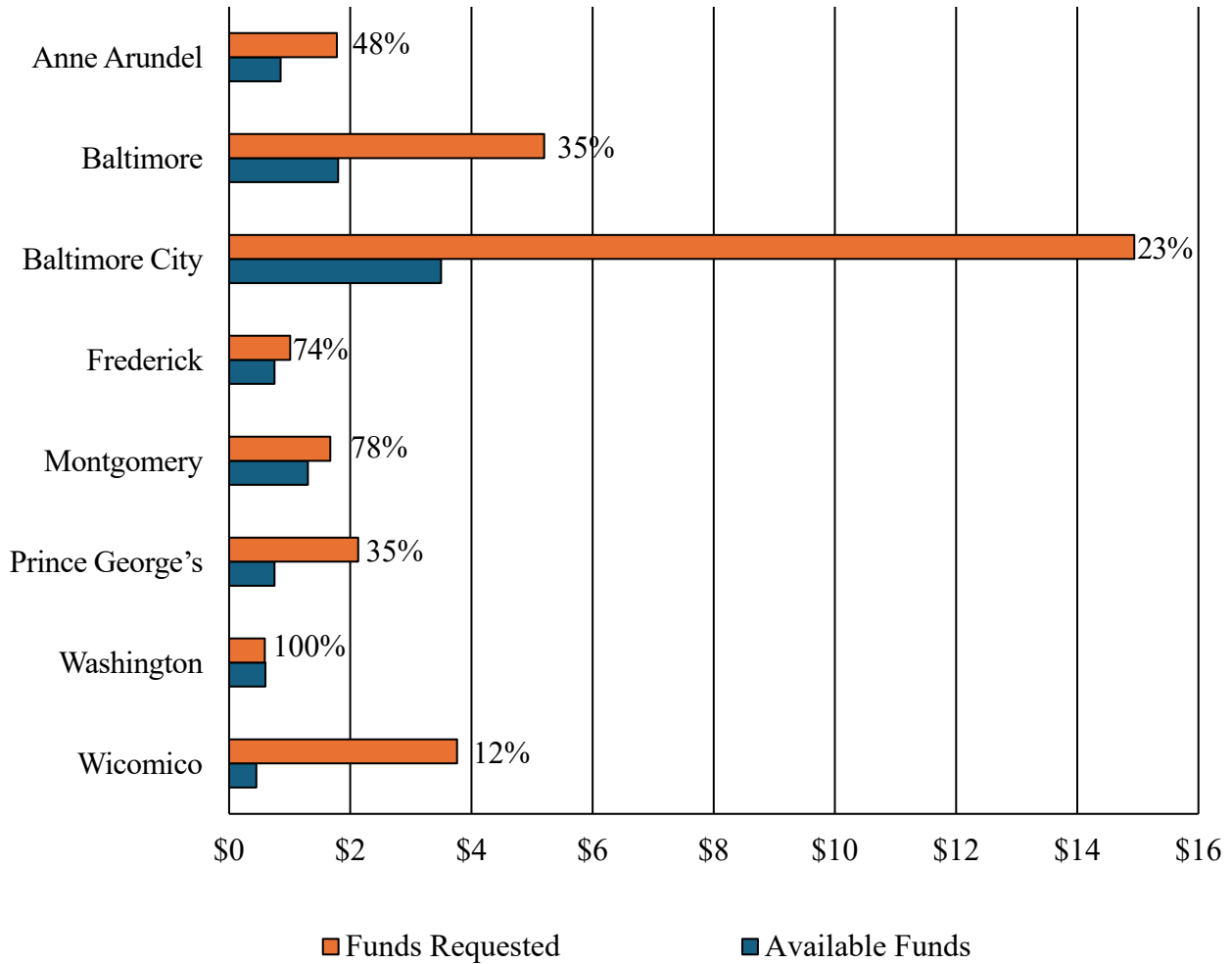
1. Community School Families Rental Assistance Program Launches

Chapter 210 created the Rental Assistance for Community School Families Program and Fund to provide rental assistance for eligible student households at community schools. Families may be eligible for assistance under the program if a student in the family is enrolled in a community school receiving funding under the Concentration of Poverty School Grant Program and is housed in a rental property where at least one household member is at risk of homelessness.

The program has been funded with \$5.0 million annually in general funds from fiscal 2025 to the fiscal 2027 allowance. The program also receives special funds available from surcharge revenues from summary ejectment (failure to pay rent) cases, per Chapter 124 of 2024, including \$1.1 million of fiscal 2025 revenues added by budget amendment in fiscal 2026 that is not yet reflected in the working appropriation. Neither the working appropriation nor the fiscal 2027 allowance reflect anticipated fiscal 2026 or 2027 special fund revenues.

The 2025 JCR requested that DHCD submit a report on the status of program implementation. DHCD reports that the program opened for applications in fall 2025 and experienced overwhelming demand, receiving more than 4,500 applications requesting \$31 million in a period of just eight weeks. As of December 31, 2025, DHCD switched over from taking applications to allowing families to join an “interest list” to be contacted if resources become available in the future. **Exhibit 10** shows funds requested and awarded by jurisdiction, along with the percentage of requests able to be funded. DHCD selected initial pilot jurisdictions based on a formula accounting for the number of community schools and students; number of homeless students; number of severely housing cost-burdened renter households (those paying more than 50% of their income on rent), and the number of ENOUGH Act communities meeting certain criteria. Among selected jurisdictions, each was allocated a percentage of available funds based on their share of students identified as homeless under McKinney-Vento laws.

Exhibit 10
Community School Families Rental Assistance
Fiscal 2025-2026 Funding
(\$ in Millions)



Source: Department of Housing and Community Development

DHCD deployed the fiscal 2025 and 2026 funds through local community-based organizations, which it selected through a competitive application round in spring 2025. In addition to relevant experience and organizational capacity, DHCD prioritized organizations with the ability to leverage other funding or partnerships to provide case management or supportive services beyond the rental assistance provided through the DHCD grant. Selected organizations and the jurisdictions they serve are shown in **Exhibit 11**.

Exhibit 11
Grantees Administering Community School Families Rental Assistance

<u>Organization</u>	<u>Jurisdictions Served</u>	<u>Award</u>
Anne Arundel County Partnership for Children, Youth, and Families	Anne Arundel	\$850,000
United Way of Central Maryland, Inc.	Baltimore City	3,500,000
	Frederick	750,000
Cornerstone Franciscan Ministries	Baltimore	1,800,000
Housing Initiative Partnership, Inc.	Montgomery	1,300,000
	Prince George’s	750,000
Washington County Community Action Council	Washington	600,000
Habitat for Humanity of Wicomico County	Wicomico	450,000
Total		\$10,000,000

Note: Initial awards only included general funds. The Department of Housing and Community Development (DHCD) plans to allocate available special fund revenues through existing grantees once added to DHCD’s budget.

Source: Department of Housing and Community Development

DHCD offered several insights from early program implementation, including:

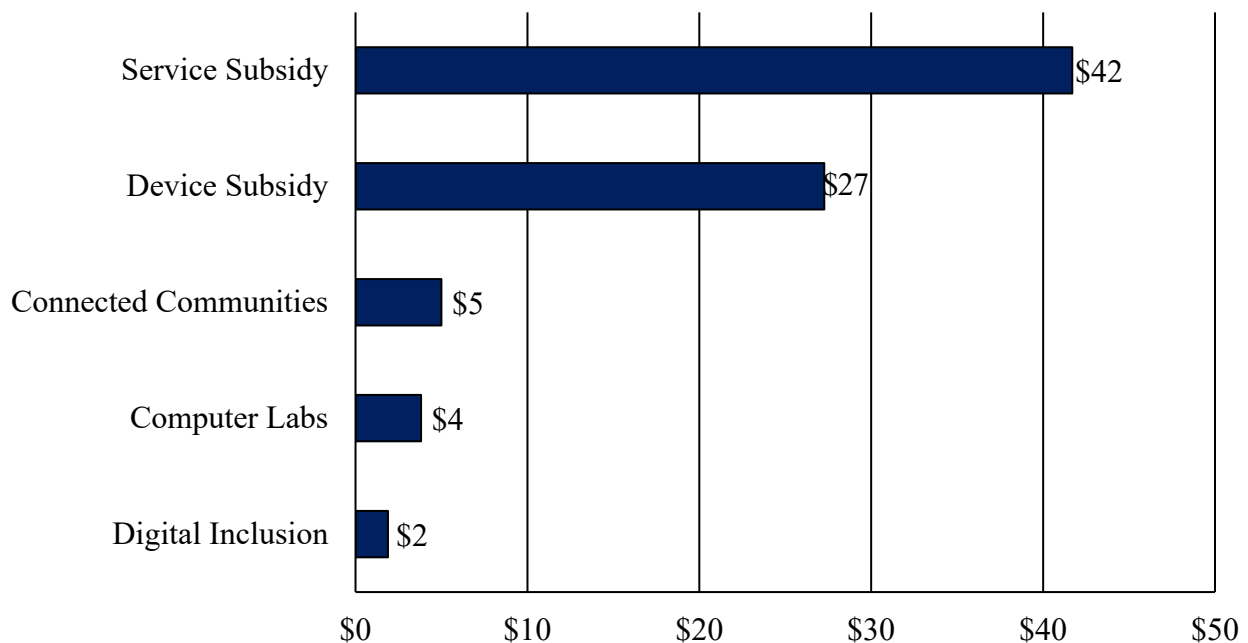
- targeted outreach in the school setting reached a population not served by other social assistance programs, who were unaware of or had not applied for other available services;
- families served often had significant rental arrearages but had not yet experienced evictions. DHCD speculated that while more investigation is warranted, this may occur if landlords are unlicensed and therefore unable to pursue eviction;
- despite efforts to reduce barriers for applicants, many grantees experienced challenges obtaining proof of landlord licensing and agreements as well as proof of minor residency (to verify eligibility based on community school enrollment). DHCD is reassessing requirements and exploring improved enrollment verification with the Maryland State Department of Education; and
- grantees consistently reported the need for additional funding for case management to complement the rental assistance funding, as most applicants are experiencing sustained poverty rather than a one-time emergency.

2. Broadband Funding from the ARPA

The Office of Statewide Broadband (OSB) within DHCD is responsible for the development of a statewide broadband plan, collecting and publishing data on broadband availability and speed, and furthering digital inclusion efforts. The State dedicated approximately \$400 million in federal funds from the ARPA for broadband programs. The majority of the funding is for capital activities related to infrastructure expansion; \$82 million supports operating programs. As discussed in the federal recissions section of this analysis, the IJA provided additional funding for broadband programs; the digital equity component was canceled, while the infrastructure component is ongoing. ARPA and IJA funding for broadband infrastructure projects is discussed further in the capital budget analysis for S00* – DHCD.

OSB deployed the \$82 million in ARPA funds in the operating budget through various initiatives to provide subsidized Internet service and devices, create or upgrade public computer labs, expand broadband access to low-income households, and promote digital inclusion efforts. **Exhibit 12** shows the funding awarded under each program. The funds were appropriated in DHCD’s fiscal 2021 and 2022 budgets. OSB has obligated all funds, and December 2026 is the deadline to expend all funds. As of December 2025, \$5.1 million remained unexpended.

Exhibit 12
Broadband – Operating Budget Programs
(\$ in Millions)



Source: Department of Housing and Community Development; Department of Legislative Services

S00A – Department of Housing and Community Development

- ***Service Subsidy:*** The Maryland Emergency Broadband Benefit (MEBB) provided a \$15 per month subsidy for low-income households, supplementing the federal Affordable Connectivity Program (ACP). Both MEBB and ACP ended in calendar 2024. Originally, \$45.0 million was allocated for MEBB, although only \$41.7 million was ultimately expended, with remaining funds reallocated to the Computer Labs Program.
- ***Device Subsidy:*** The Connected Devices Program provided subsidized 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.
- ***Connected Communities Grant Program:*** Provided 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.
- ***Computer Labs Program:*** Provided grants of up to \$65,000 to nonprofits, local jurisdictions, or community anchor institutions to create or upgrade public computer labs serving disadvantaged populations. DHCD awarded \$3.8 million to 73 organizations in December 2024.
- ***Digital Inclusion Grant Program:*** Provided grants to nonprofits, local jurisdictions, or educational institutions to improve digital adoption. DHCD awarded \$2.0 million for 30 digital inclusion projects in October 2022.

Appendix 1
2025 Joint Chairmen’s Report Responses from the
Department of Housing and Community Development

The 2025 JCR requested that DHCD prepare one report related to the operating budget. The 2024 JCR also requested one report due within 30 days of DHCD’s designation of Just Communities, which occurred in June 2025. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Implementation Status of the Rental Assistance for Community School Families Program:*** DHCD reported on the timeline and criteria for selecting pilot jurisdictions and local community-based organizations to administer the funding. The program opened for applications in fall 2025 and experienced overwhelming demand, exceeding \$31 million for the initial \$10 million in combined funding available from fiscal 2025 and 2026. Further discussion of this program can be found in the Updates section of this analysis.
- ***Just Communities:*** The 2024 JCR requested that DHCD submit a report identifying the communities designated as Just Communities under Chapters 147 and 148 and laying out DHCD’s planned efforts to publicize these designations. DHCD announced the designations in June 2025 and submitted the report as requested in July 2025. The report summarized the methodology used in making the Just Communities designations and noted that information on Just Communities has been added to the web pages for all relevant DHCD programs for which Just Communities will be prioritized. DHCD also indicated that various stakeholder engagement sessions were planned for fiscal 2026. The designated census tracts are listed in the report and can also be viewed on DHCD’s Just Communities website. Further discussion of Just Communities can be found in the Proposed Budget section of this analysis.

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: 2028	
Implementation Strategy: Agile					
(\$ in Millions)	Prior Year	2026	2027	Remainder	Total
SF	\$2.758	\$0.000	\$0.380	Up to \$6.681	Up to \$9.999
Total	\$2.758	\$0.000	\$0.380	Up to \$6.681	Up to \$9.999

- 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:** 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.

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

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Working</u> <u>Appropriation</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u> <u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	446.00	446.00	447.00	1.00	0.2%
02 Contractual	68.89	74.50	70.50	-4.00	-5.4%
Total Positions	514.89	520.50	517.50	-3.00	-0.6%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$60,756,319	\$64,482,759	\$69,946,237	\$5,463,478	8.5%
02 Technical and Special Fees	5,794,639	6,495,402	5,757,058	-738,344	-11.4%
03 Communications	303,417	193,050	214,750	21,700	11.2%
04 Travel	344,451	407,000	434,400	27,400	6.7%
06 Fuel and Utilities	236,848	303,300	308,300	5,000	1.6%
07 Motor Vehicle Operation and Maintenance	380,699	254,892	175,952	-78,940	-31.0%
08 Contractual Services	37,044,527	67,565,120	84,686,082	17,120,962	25.3%
09 Supplies and Materials	181,921	293,700	301,800	8,100	2.8%
10 Equipment – Replacement	381,936	693,000	1,093,000	400,000	57.7%
11 Equipment – Additional	29,648	258,500	260,500	2,000	0.8%
12 Grants, Subsidies, and Contributions	435,377,866	417,497,265	560,853,818	143,356,553	34.3%
13 Fixed Charges	4,447,203	5,291,393	5,173,280	-118,113	-2.2%
Total Objects	\$545,279,474	\$563,735,381	\$729,205,177	\$165,469,796	29.4%
Funds					
01 General Funds	\$50,255,021	\$42,654,638	\$45,755,309	\$3,100,671	7.3%
03 Special Funds	95,157,924	130,671,379	182,688,978	52,017,599	39.8%
05 Federal Funds	392,934,749	379,117,219	491,228,647	112,111,428	29.6%
09 Reimbursable Funds	6,931,780	11,292,145	9,532,243	-1,759,902	-15.6%
Total Funds	\$545,279,474	\$563,735,381	\$729,205,177	\$165,469,796	29.4%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 4
Fiscal Summary
Department of Housing and Community Development**

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
01 Office of the Secretary	\$5,847,520	\$5,432,766	\$6,099,712	\$666,946	12.3%
03 Office of Management Services	13,611,388	17,023,380	15,272,893	-1,750,487	-10.3%
08 Division of Broadband – Operating	2,764,402	3,143,779	3,017,385	-126,394	-4.0%
01 Maryland Housing Fund	631,940	724,352	1,146,148	421,796	58.2%
02 Asset Management	7,573,855	7,947,430	7,751,737	-195,693	-2.5%
08 Policy, Strategy and Research	0	4,360,499	4,463,066	102,567	2.4%
01 Neighborhood Revitalization	70,441,988	13,988,728	17,319,026	3,330,298	23.8%
01 Administration	7,304,458	5,807,508	6,158,692	351,184	6.0%
02 Housing Development Program	6,863,197	7,204,527	8,143,670	939,143	13.0%
03 Single Family Housing	11,014,553	10,590,866	13,700,588	3,109,722	29.4%
04 Housing and Building Energy Programs	57,553,111	86,496,357	126,690,297	40,193,940	46.5%
05 Rental Services Programs	347,494,834	342,966,144	452,900,303	109,934,159	32.1%
01 Information Technology	6,315,891	6,336,595	6,675,508	338,913	5.3%
01 Finance and Administration	7,862,337	7,754,693	8,513,303	758,610	9.8%
01 Just Communities	0	424,305	1,539,946	1,115,641	262.9%
01 Homeless Solutions	0	41,715,964	48,022,673	6,306,709	15.1%
01 Business Development	0	1,817,488	1,790,230	-27,258	-1.5%
Total Expenditures	\$545,279,474	\$563,735,381	\$729,205,177	\$165,469,796	29.4%
General Funds	\$50,255,021	\$42,654,638	\$45,755,309	\$3,100,671	7.3%
Special Funds	95,157,924	130,671,379	182,688,978	52,017,599	39.8%
Federal Funds	392,934,749	379,117,219	491,228,647	112,111,428	29.6%
Total Appropriations	\$538,347,694	\$552,443,236	\$719,672,934	\$167,229,698	30.3%
Reimbursable Funds	\$6,931,780	\$11,292,145	\$9,532,243	-\$1,759,902	-15.6%
Total Funds	\$545,279,474	\$563,735,381	\$729,205,177	\$165,469,796	29.4%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.