

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5517-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Shields
Carrier – Senate: Sen. Whitsett**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 21 – 0 – 0

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett, Winters

– Nays:

– Exc:

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Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: 6/20/07

Agency

Housing and Community Services Department

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Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Senator Betsy Johnson, Transportation and Economic Development
Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget
General Fund	\$ 10,872,777	22,922,600	19,496,662	\$ -3,425,938	-14.9%
Lottery Funds Debt Service	4,460,538	6,085,943	5,932,768	-153,175	-2.5%
Other Funds	80,262,873	106,515,665	107,629,138	+1,113,473	+1.0%
Other Funds Nonlimited	375,372,861	351,365,556	352,365,556	+1,000,000	+0.3%
Other Funds Debt Service Nonlimited	1,818,926,595	1,456,053,600	1,456,053,600	0	0.0%
Federal Funds	114,126,588	116,576,772	116,645,972	+69,200	+0.1%
Federal Funds Nonlimited	101,600,000	104,750,000	104,750,000	0	0.0%
Total	\$ 2,505,622,232	\$ 2,164,270,136	\$ 2,162,873,696	\$ -1,396,440	-0.1%

Position Summary

Authorized Positions	150	146	143	-3
Full-time Equivalent (FTE) Positions	147.08	142.92	140.42	-2.50

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

General Fund appropriations support the state homeless, emergency housing, home ownership, and food programs. The Ways and Means Subcommittee on Transportation and Economic Development supported the Emergency Housing Account, State Homeless Assistance Program, and Home Ownership Assistance Program at the essential budget level, and \$1.3 million in increased support for the General Fund Food Program. The additional investment will strengthen the infrastructure of many public and private partners that enable the Oregon Food Bank to continue to expand distribution. The Subcommittee also invested \$2.6 million General Fund in housing preservation and \$2.4 million General Fund to restore the Housing Trust Fund corpus; this funding, coupled with existing bond and tax credit programs, will effectively leverage resources that will finance the preservation of existing Section 8 project-based rent assisted projects for another 30 to 40 years of affordability.

An additional \$2.0 million General Fund investment in the Department's Housing Finance Fund will enable the agency to provide below market financing on flexible terms for site acquisition and predevelopment loans, including but not limited to providing gap financing for the preservation of manufactured dwelling parks while bolstering the Department's assets in the eyes of bond rating agencies.

The Subcommittee approved \$16.0 million in lottery bond proceeds to develop 150 units of supported housing for homeless populations. Remaining proceeds from prior issuances of Lottery Revenue Bonds for the Community Incentive Fund will be used to support the preservation of Section 8 housing in the 2007-09 biennium. These funds are expended as Other Funds. The debt service on prior Lottery Revenue Bond issuances and for the 150 housing units is paid with Lottery Funds.

Other Funds are received from numerous sources including proceeds from the sale of bonds, mortgage and down payment assistance repayments, loan and tax credit related fees, energy bill payment assistance, and investment income.

Federal Funds are received from a variety of federal sources including HOME Investment Partnership Program; Section 8 rent subsidies, Community Services Block Grants, Low-Income Energy Assistance funds, Emergency Shelter grants, Supportive Housing programs, Department of Energy weatherization assistance funds, and Food Assistance programs.

Summary of Subcommittee Action

The Housing and Community Services Department provides financing and support for the development of affordable housing in the state and for the delivery of services for economically needy Oregonians. The Department administers federal and state programs to alleviate homelessness and poverty. The Department also directs the state's manufactured dwelling park community relations program. The Department works with public, nonprofit and for-profit organizations, and community-based organizations to deliver its services. The seven-member State Housing Council, appointed by the Governor, provides program and policy oversight to the Department.

The Subcommittee approved a budget of \$2,162,873,696 total funds and 140.42 full-time equivalent positions which reflects a General Fund increase of \$8.3 million, and a net increase of \$45.7 million increase in total funds from the Essential Budget Level (EBL).

Energy/ Weatherization Programs

Energy and Weatherization programs help families meet their basic needs such as food and housing by providing assistance payments, installing energy-saving modifications on heating systems and home weatherization, and providing conservation education. The agency administers various activities through local community action agencies. Energy assistance and weatherization programs are funded with Other Funds and Federal Funds from the US Department of Health and Human Services, US Department of Energy, and the Bonneville Power Administration. The Subcommittee approved a budget of \$99,167,843 total funds, and 7.00 full-time equivalent positions. This reflects an increase of \$2,376,589 total funds from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates a 1.00 full-time equivalent Office Specialist 2 position. This results in savings of \$74,286 Other Funds and \$37,058 Federal Funds (\$111,344 total funds) for the 2007-09 biennium.
- **Approved Package 101 – Maintaining Excellence:** This package adds \$2,487,933 Federal Funds expenditure limitation to reflect updated Federal Funds projections based on federal allocations, federal program restorations, and revised forecasting. Not an entitlement program, the Low Income Energy Assistance Program (LIEAP) helps low income with documented home heating costs. The impact on operational costs is insignificant with no staffing impact for the 2007-09 biennium.

Self Sufficiency/Emergency Assistance Programs

Self-Sufficiency and Emergency Assistance programs include housing assistance and food programs that provide services to very low income Oregonians, helping them to meet short-term, daily needs for food and shelter.

- **Rental Assistance** includes subsidizing housing costs and, in some cases, developing a self-sufficiency plan to assist individuals with other support, counseling, and training to avoid on-going reliance on assistance. Resources for this purpose include federal Section 8 rental assistance payments and HOME Tenant Based Assistance Program payments from HUD which subsidize rental payments for low-income families and individuals, as well as transfers from the state Judicial Department's Low Income Rental Housing Fund which consists of fees associated with eviction notice filings and interest on security deposits.

- **Homeless Assistance** targets homeless or those at risk of becoming homeless to provide for the costs of emergency shelter, transitional housing, and prevention activities such as training and employment assistance and counseling services. Housing and Community Services Department (HCSD) receives both General Fund and Federal Funds for homeless programs.

- **Food Programs** partner with the Oregon Food Bank to coordinate the distribution of donated foods through regional coordinating agencies and direct service agencies. Funding comes from the General Fund, the federal Department of Health and Human Services, and the United States Department of Agriculture.

The services address the continuum of needs from homeless shelters to rent subsidies, with the goal of helping individuals and families achieve self-sufficiency. The Subcommittee approved a budget of \$11,677,141 General Fund, \$142,792,349 total funds, and 22.42 full-time equivalent positions. This reflects an increase in General Fund of \$1,274,458 and in total funds of \$4,649,923 from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates a Principal Executive Manager C (0.58 full-time equivalent) for a total reduction of \$89,453 Other Funds which will help to address a projected funding gap for the 2007-09 biennium.
- **Approved Package 101 – Maintaining Excellence:** This package increases Federal Funds expenditure limitation by \$3,464,918 to reflect updated Federal Funds projections based on increased federal allocations, federal program restorations, and revised forecasting for the continuum of Care Grant and the HOME Based Tenant Assistance (TBA) program.
- **Modified Package 102 – Housing and Services for Oregon:** The Subcommittee approved consolidating Policy Package 102 into the Home Ownership/Affordable Rental Housing Development program for ease of administration and reporting. The Lottery Fund debt service limitation and position authority was transferred from program unit 200 to program unit 400. Two half-time permanent positions (1.00 full-time equivalent) for project coordination and office support services -- a Program Analyst 3 and an Administrative Specialist 2 -- are affected by this consolidation.

- **Modified Package 104 – Building Local Capacity:** The Subcommittee approved increasing support for the Oregon Food Bank by \$1,274,458 General Fund. This enhancement strengthens the infrastructure of the many public and private partners that enable the Oregon Food Bank and regional food banks to continue to expand distribution and education efforts through the General Fund Food Program. The package enhances the ability of regional food banks to provide nutritional outreach and education and increase bulk food purchases.

Community Capacity Building Programs

Community capacity building includes a variety of services intended to promote volunteerism, alternative dispute resolution, and streamlined housing services through a variety of mechanisms, including the following: the Manufactured Dwelling Park Community Relations program; federal Community Services Block Grants; the Oregon Commission on Voluntary Action and Service; Individual Development Accounts; and Regional Housing Centers serving rural counties. The Subcommittee approved a budget of \$29,199,874 total funds, and 10.00 full-time equivalent positions. This reflects a reduction of \$189,173 total funds from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates one Operations and Policy Analyst 3 (1.00 full-time equivalent) for a total reduction of \$132,713 Other Funds and \$56,461 Federal Funds to address a projected funding gap for the 2007-09 biennium.

The Subcommittee discussed the broad span of programs that the agency currently administers. The Subcommittee approved the following budget note:

Budget Note:

Prior to the convention of the 2009 Regular Legislative Session, the Department of Housing and Community Services is directed to evaluate and report to the appropriate interim or legislative committee on alternative options for the administration of the following programs currently managed by the Department: the Oregon Commission for Voluntary Action and Service; the Manufactured Dwelling Park Community Relations Program; and the Department's administration of Individual Development Accounts. The Department shall work with other state agencies to develop recommendations on whether these programs might be more effectively administered by other state agencies, or, if independent status or administration by a not-for-profit entity is feasible, a plan detailing the transition of the program out of the Department.

Homeownership/Rental Housing Programs

Homeownership/Rental Housing Programs provide affordable housing opportunities for low-income Oregonians. The Homeownership Programs provide loans and services for low-income Oregonians that enable them to own homes. The Affordable Rental Housing Development Programs provide resources to housing developers that enable them to create or maintain affordable rental housing for low-income Oregonians. These programs consist of below market-rate loans financed through the sale of tax exempt mortgage revenue bonds, down payment and closing cost

assistance, conduit financing and loan programs, administration of various housing-related tax credits, administration of federal programs for the repair and maintenance of existing low-income housing in rural Oregon, and funding for home ownership education. Several of the grants, tax credits, and financing programs are allocated through the Department's semi-annual competitive Consolidated Funding Cycle. The Subcommittee approved a budget of \$5,819,521 General Fund and \$1,875,698,769 total funds, and 54.00 full-time equivalent positions. This is an increase of \$5,000,000 General Fund and an increase of \$34,885,613 total funds from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates 2.50 full-time equivalent in order to balance expected revenues with expenditures. It eliminates one Compliance Specialist 3 position (1.00 full-time equivalent), one Operations and Policy Analyst 3 (1.00 full-time equivalent), and one Office Specialist 2 (0.50 full-time equivalent), for a total reduction of \$431,321 Other Funds.
- **Approved Package 101 – Maintaining Excellence:** The package increases Federal Funds expenditure limitation by \$4,048,366 and Other Funds expenditure limitation by \$147,245, reflecting updated Federal Funds projections based on federal allocations, federal program restorations, and revised forecasting. It includes \$1,735,174 in Federal Funds for the Community Development Block Grant, federally funded through the U.S. Housing and Urban Development (HUD) and the Oregon Economic and Community Development Department. The grant's objective is to develop viable communities by providing decent housing, a suitable living environment and expanding economic opportunities through the support of low and moderate income persons. It also includes \$2,313,192 in additional Federal Funds limitation for the HOME TBA program, federally funded through HUD. The department administers the program for non-entitlement areas, rural Oregon.

The Subcommittee approved the establishment of a limited duration Program Analyst 3 position, dedicated to home ownership assistance programs, and to facilitate the development of regional housing centers "one-stop" housing assistance and information centers. The funding for the position is Other Funds and Federal Funds. The package also establishes one full-time, permanent position (1.00 full-time equivalent) to address the monitoring of 1,070 multifamily projects comprised of 33,744 units. The position will help the agency in managing the agency portfolio so that the agency's fiduciary and monitoring responsibilities are better maintained.

- **Modified Package 102 – Housing and Services for Oregon:** The Subcommittee approved consolidating all of package 102 into this program unit, for ease of reporting and administration. The package contains two component parts: Preservation, and construction of new units of affordable housing.
 - **Preservation of Project Based Section 8 Housing**
The Subcommittee approved \$5.0 million General Fund related to the preservation portion of the package. The Subcommittee approved the use of a variety of existing funds be leveraged to support the preservation component of Policy Option Package 102, which will reduce the amount of General Fund needed for this package by \$3 million (from \$8.1 million to \$5.0 million). The Subcommittee's recommendation of \$5.0 million General Fund related to preservation directs:

\$2.4 million of the \$5.0 million to restore the Housing Trust Fund corpus, which will generate \$1.5 million in biennial interest, which the Subcommittee approved to support preservation of affordable housing in the 2007-09 biennium, as an allowable use of the dollars.

The remaining \$2.6 million General Fund is for the preservation package.

Funds to be used in lieu of General Fund include the balance and interest on the Community Incentive Fund (CIF), and interest earnings generated by the Housing Trust Fund corpus. The funding sources total \$8.1 million for the preservation portion of package 102, as follows:

- General Fund - \$2.6 million (new).
- Community Incentive Fund corpus and interest - Other Funds - \$4.0 million.
- Housing Trust Fund interest earnings – Other Funds - \$1.5 Million.
- Total Funds - \$8,080,000

This portion of package includes approval of a 0.5 FTE Fiscal Analyst 3 position to manage the new contracts associated with funding for preservation.

o **Construction of New Affordable Housing Units**

The Subcommittee approved \$16.0 million in lottery bond proceeds to fund the development of 150 units of supported housing for homeless populations; contracts with developers would specify that the units include social services, including but not limited to, Alcohol and Drug Treatment, Mental Health and Counseling Services, Case Management, Life Skills, Budgeting, Health Related & Home Health Services, Education and Instruction, and Employment Services. Additional add-ons could include: Transportation, Child Care, HIV/AIDS Services, Transitional Living Services, Parenting, and After School Programs. Through this program, individuals experiencing homelessness remain in permanent housing, off the streets, and out of shelters. The amount proposed would partially fund construction of the units. The balance of funds would be made up by the developer and local contributions. This proposal adds a .50 full-time equivalent Program Analyst, and .50 full-time equivalent Administrative Specialist to manage the additional work associated with program development and implementation.

Approved Package 801 – LFO Analyst Adjustment: The package transfers the appropriate cost of bond issuance to this program unit from program unit 200, consistent with the Subcommittee’s direction to consolidate package 102 in this program unit. It also reduced the par amount for the bond sales to reflect the discontinuance of funding lottery fund debt service reserves, which, per the Department of Administrative Services, are no longer necessary. Lottery bond debt service limitation is reduced by \$153,176 for the 2007-09 biennium and cost of issuance expenditure limitation is increased by \$3,518.

Program Outreach and Accountability

This program unit includes the department’s director’s office, financial management division and information services division, all of which help to effectively administer the various programs within the department. The Subcommittee approved a budget of \$2,000,000 General Fund and \$16,014,861 total funds and 47.00 full-time equivalent positions. This reflects a total funds increase of \$3,994,220 from the EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** The Subcommittee approved this package which eliminates three positions (2.00 full-time equivalent) within the Financial Management Division, in order to balance expected revenues with expenditures. This is accomplished by the elimination of one Accounting Technician 2 (0.75 full-time equivalent), one Accountant 1 (0.75 full-time equivalent), and one Administrative Specialist 1 (0.50 full-time equivalent) for a total reduction of \$228,535 Other Funds and \$106,780 Federal Funds. These reductions will reduce the amount required to be transferred from the Housing Finance Fund. This action will help to address a projected funding gap for the 2007-09 biennium.
- **Modified Package 101 – Maintaining Excellence:** The Subcommittee approved package 101 as modified. The package provides a \$2.0 million General Fund cash infusion to the Department, which improves the agency’s financial footing long term and demonstrates financial strength to rating agencies that monitor the agency’s bond indentures; and generates interest to “buy back” 2 positions that have been reduced as a result of package 070 – an internal auditor and a compliance specialist. The Subcommittee directed that the cash infusion be deposited in the Department Housing Finance Fund and used for the purpose of providing below market financing on flexible terms for site acquisition and predevelopment costs, including but not limited to the preservation of manufactured parks. This option still enables the Department to access the interest on the \$2.0 million to support two positions, while utilizing the principal to further the Department’s mission.

The Subcommittee discussed how the Department could best use the approved infusion of \$2.0 million cash into the Housing Finance Fund. The Subcommittee approved the following budget note:

Budget Note:

The Department of Housing and Community Services is directed to deposit \$2.0 million General Fund in the Housing Finance Fund for the purposes of providing below market financing on flexible terms for site acquisition and predevelopment costs, including but not limited to providing gap financing for the preservation of manufactured dwelling parks.

Summary of Performance Measure Action

The Subcommittee approved the Department’s performance measures, as submitted with appropriate target changes to incorporate the policy packages funded in this bill. These recommendations and other changes are shown in the Legislatively Adopted 2007-09 Key Performance Measures form attached, with the following exception: because the supported housing units for the homeless will not be occupied until the 2009-11 biennium, the adjustments to the relevant targets would be delayed until 2010 and 2011.

The Subcommittee discussed performance measure changes with the agency with regard to two pending substantive bills: House Bill 3551, which would provide more funding for affordable housing and Senate Bill 461, which would provide more funding for energy assistance programs. The Subcommittee's expectation is the applicable Legislatively Approved Key Performance Measure targets would be revised with the passage of one or both of these bills, to reflect the additional investment.

The Subcommittee discussed construction costs per unit in relation to the affordable housing programs the Department administers, and what cost containment strategies the agency is utilizing. The Subcommittee directed the agency to develop a new performance measure that would track construction costs per unit over a period of time for consideration at the February 2008 Legislative Session. The purpose of this new measure would be to allow the agency to compare construction costs over time and to foster even greater collaboration with its partners to reduce duplicative costs. The Subcommittee supports the increased use of innovative development strategies that would maximize the use of state resources, thereby providing more units of safe affordable housing for low-income Oregonians.