

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5019-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Gilman
Carrier – Senate: Sen. Monroe**

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

Vote: 21 – 0 – 1

House – Yeas: Buckley, D. Edwards, Galizio, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson, Shields

– Nays:

– Exc: G. Smith

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett, Winters

– Nays:

– Exc:

Prepared By: Lyndon Troseth, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: June 5, 2009

Agency

Housing and Community Services Department

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Biennium

2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)		2009-11 Essential Budget Level		2009-11 Committee Recommendation		Committee Change from 2007-09 Leg. Approved	
							\$\$ Change	% Change
General Fund	\$	20,499,074	\$	12,760,057	\$	10,146,231	\$ -10,352,843	-50.5%
Lottery Funds Debt Service	\$	5,932,768	\$	7,516,467	\$	8,820,655	\$ 2,887,887	48.7%
Other Funds	\$	118,374,505	\$	109,731,506	\$	139,648,795	\$ 21,274,290	18.0%
Other Funds Nonlimited	\$	673,889,000	\$	657,593,873	\$	657,593,873	\$ -16,295,127	-2.4%
Other Funds Debt Service Nonlimited	\$	1,456,053,600	\$	879,468,141	\$	879,468,141	\$ -576,585,459	-39.6%
Federal Funds	\$	146,915,336	\$	120,362,585	\$	252,724,958	\$ 105,809,622	72.0%
Federal Funds Nonlimited	\$	104,750,000	\$	107,250,000	\$	107,250,000	\$ 2,500,000	2.4%
Total	\$	2,526,414,283	\$	1,894,682,629	\$	2,055,652,653	\$ -470,761,630	-18.6%

Position Summary

Authorized Positions	143	138	154	+11
Full-time Equivalent (FTE) positions	140.42	135.70	147.33	+6.91

(1) Includes adjustments through the December 2008 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 the General Fund Food Program at \$10.1 million, a 20.5 percent reduction from the Essential Budget Level (EBL).

The Subcommittee approved lottery bond proceeds in the amount of \$20,063,813 to preserve affordable housing from conversion to market rate housing, and 2.00 FTE to provide oversight and contract administration. An investment of \$16 million in Lottery Bond proceeds will provide for the preservation of an estimated 1,598 units of 3,477 units that have been identified as having expiring federal subsidy contracts, and over \$200 million in federal subsidy payments over the life of the new contracts, to ensure an ongoing inventory of affordable housing that meets community needs. Package 103 provides that up to \$3.1 million in loans or grants may be made to preserve manufactured dwelling parks in the 2009-11 biennium.

House Bill 2436 was enacted by the Legislature and adds a new \$15 fee to the existing fees pertaining to deeds and mortgage records filed with county clerks, with limited exceptions. Effective October 1, 2009, revenue collected from the fee will be used to support development of affordable rental housing, homeownership opportunities and services to assist homeless persons, per ORS 458.620. In 2009-11, fee revenue in the following amounts will support the following housing related programs: \$12.7 million will be used to finance development of multi-family affordable rental housing units, down payment assistance, homeownership education, and constructing or rehabilitating housing for persons of

low or very low income; \$1.5 million will be deposited into the Emergency Housing Account and used to provide emergency shelter, transitional and supportive housing services, and emergency assistance payments to homeless persons, or those at risk of becoming homeless; and \$0.9 million will be used to support community housing partners, through technical assistance and training, to address local housing needs.

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 public purpose charges, 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 Transportation and Economic Development Subcommittee Action

The Housing and Community Services Department (HCSD) 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 \$2,055,652,653 total funds and 147.33 full-time equivalent positions (FTE). General Fund support decreased by \$2.6 million, a 20.5 decrease from the 2009-11 EBL. The approved budget is a \$160.9 million net increase in total funds from the EBL, or 8.5 percent. It includes a 27.3 percent increase in Other Funds Limited expenditure limitation and a 110 percent increase in Federal Funds Limited expenditure limitation, attributable to the passage of the Document Recording Fee, increased support for energy bill payment assistance and weatherization, and funds allocated to the agency through the American Recovery and Reinvestment Act of 2009 (ARRA).

Energy/Weatherization Programs (100-00)

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 \$195,117,160 total funds, 9.00 permanent FTE, and 15.50 limited-duration FTE. This reflects an increase of \$81,415,662 total funds from EBL or 71.6 percent.

The Subcommittee took the following actions:

- Approved an essential budget level in the amount of \$113,701,498.

- **Approved Package 090 Analyst Adjustments, with modifications** - This package adds back three positions slated for reduction in Package 070 elsewhere in the agency as limited-duration. Two information systems specialists (from the Program Outreach and Accountability program) will focus on database and reporting modules specific to weatherization projects and the Low Income Energy Assistance Program. One accountant (from the Homeownership and Affordable Housing program) will oversee contracts and payments associated with large increases in Federal Funds for weatherization and low-income bill payment assistance.
- **Approved Package 812 Federal Grants** – This package provides limitation and limited duration position authority related to increases in Federal Funds for energy assistance and weatherization programs.
 - Weatherization – The ARRA allocated \$38.5 million for Low Income Weatherization, through 2013, of which \$28.5 is approved for 2009-11. These one-time funds will be used to augment the Department’s existing weatherization program for qualifying low-income persons, reducing their energy consumption and, by extension, living expenses. The package includes 12.50 FTE associated with contract administration and reporting, as well as training and coordination with Community Action Agencies to certify additional weatherization contractors, work with housing developers to access funds for affordable housing rehabilitation projects, train local agencies in the separate ARRA reporting requirements, and help them modify processes where necessary, to ensure that this substantial amount of additional funding is properly put to use within federal deadlines.
 - Low Income Energy Assistance Program (LIEAP) – The level of funding for the LIEAP has increased beyond what was anticipated when the Governor’s recommended budget was released. The majority of program funds are passed through to local Community Action Agencies, which evaluate requests and assist eligible clients with energy bill payment assistance. The total LIEAP portion of this package amounts to \$52.85 million in special payments.

Self Sufficiency/Emergency Assistance Programs (200-00)

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 ongoing 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 to the OHCS 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. HCSD receives both General Fund and Federal Funds for homeless programs.

- **Food Programs** primarily 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 \$10,144,344 General Fund, \$163,964,050 total funds, 17 permanent FTE and 2.85 limited-duration positions. The approved budget reflects a General Fund decrease of \$1,771,358 and a total funds increase of \$10,527,240 from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates a vacant Compliance Specialist 2 position (1.00 FTE) for a total reduction of \$74,959 Other Funds and \$49,770 Federal Funds, which will help to balance expenditures with available revenue in the 2009-11 biennium.
- **Approved Package 811 – Co-Chair Adjustments:** This package made the following adjustments to programs funded with General Fund:
 - Emergency Housing Account (EHA) – General Fund support for emergency housing assistance is reduced by \$1.6 million, and a corresponding reduction of Other Funds expenditure limitation.
 - State Homelessness Assistance Program (SHAP) – General Fund support for homeless assistance is reduced by \$171,358.
- **Approved Package 812 – Federal Grants:** The Subcommittee approved additional support for special payments and administrative positions due to the receipt of additional Federal Funds, including the ARRA, to programs within the Self-Sufficiency and Emergency Assistance Program:
 - The Emergency Food Assistance Program (TEFAP) – This program will provide \$469,511 in federal commodities to those in need through the Oregon Food Bank network;
 - Homelessness Prevention and Rapid Re-Housing Program – This grant provides \$4,724,062 Federal Funds financial assistance through Community Action Agencies to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized and provides two full-time limited duration positions (2.00 FTE) to meet program administration and reporting requirements;
 - Community Services Block Grant – This block grant provides \$7,189,158 Federal Funds support to community-based organizations (primarily community action agencies) and funds a part-time limited duration position (0.6 FTE).

- **Approved Package 813 – Legislation/Document Recording Fee:** House Bill 2436 was enacted by the Legislature and adds a new \$15 fee to the existing fees pertaining to deeds and mortgage records filed with county clerks, with limited exceptions. Effective October 1, 2009, the bill specifies that 10 percent of resulting revenue, or \$1.5 million, be dedicated for emergency housing services. This package provides expenditure limitation for one permanent full-time position (0.25 FTE) for program administration.

Community Capacity Building Programs (300-00)

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; the Oregon Volunteers! Commission on Voluntary Action and Service (OV!); Individual Development Accounts; and Regional Housing Centers serving rural counties. The Subcommittee approved a budget of \$6,873,478 total funds, 5.00 permanent FTE and a 0.92 FTE limited-duration position. The approved budget reflects an increase of \$1,624,539 total funds from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package reduces \$58,056 Other Funds expenditure limitation in Services and Supplies which will help align expenditures with available revenue for the 2009-11 biennium.
- **Approved Package 812 – Federal Grants:** The Subcommittee approved \$773,075 in additional Federal Funds expenditure for the Oregon Commission for Voluntary Action and Service (OV!) through the ARRA to support volunteer positions in community action agencies. OCVAS has been awarded a competitive grant, and anticipates receipt of an additional block grant, which will fund volunteers in Portland to assist eligible individuals in accessing services or developing skills in health care, literacy, mentoring, money management, and parent/child development.
- **Approved Package 813 – Legislation/Document Recording Fee:** House Bill 2436 was enacted by the Legislature and adds a new \$15 fee to the existing fees pertaining to deeds and mortgage records filed with county clerks, with limited exceptions. Effective October 1, 2009, the bill specifies that 76 percent of the moneys must be deposited into a new General Housing Account created by the bill, and established by amending ORS 458.620. Funds deposited into the account may be used to support the activities of HCSD. Six percent of that amount, or \$909,520 Other Funds, will be used in 2009-11 to provide training and technical assistance to community housing partners to address local affordable housing needs. This package provides the expenditure limitation for these purposes as well as a permanent full-time position (0.92 FTE, per the effective date of the bill) to manage contracts and training with regional housing centers.

Homeownership/Rental Housing Programs (400-00)

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 \$1,678,797,997 total funds, 56.00 permanent FTE and 7.86 FTE limited-duration positions. This is an increase of \$69,173,930 total funds from EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** This package eliminates 6.50 FTE in order to balance expected revenues with expenditures, a total reduction of \$1,080,489: \$1,019,160 Personal Services and \$61,329 in Services and Supplies expenditures (both Other Funds).
- **Approved Package 103 – Preservation:** Package 103 provides support from Lottery Bond proceeds to preserve affordable housing from conversion to market rate housing, and two full-time limited-duration positions (2.00 FTE) to provide oversight and contract administration. The Department's role in preservation of affordable housing units consists of providing loans or grants to help third parties acquire affordable housing projects with federal subsidies that are about to expire, thereby keeping the housing projects from converting to market rate or condominiums. Lottery Bond proceeds of \$16 million will preserve an estimated 1,598 units of 3,477 units that have been identified as having expiring federal subsidies. The Subcommittee approved the use of up to \$3.1 million in Lottery Bond proceeds for use as loans or grants to preserve manufactured dwelling parks, if viable opportunities present themselves in the 2009-11 biennium.

The proceeds are expended as Other Funds. Lottery Funds of \$1,479,881 associated with this package are attributed to the 2009-11 debt service costs. Two full-time limited-duration positions (2.00 FTE) are part of this package and are responsible for the evaluation of prospective borrowers and review of the physical and regulatory compliance of the properties.

- **Approved Package 801 – LFO Analyst Technical Changes:** The Subcommittee approved a technical change to reduce Lottery Bond Debt Service by \$175,693 to reflect reduced borrowing costs due to favorable terms of the spring 2009 lottery bonds sale.
- **Approved Package 811 – Co-Chair Adjustments:** This package made the following adjustments to programs funded with General Fund: Homeownership Assistance Program – General Fund support for the program, \$842,468, which primarily consists of down payment assistance is eliminated, as is a corresponding amount in Other Funds expenditure limitation.
- **Approved Package 812 – Federal Grants:** The Subcommittee approved additional support for special payments and administrative positions due to the receipt of additional Federal Funds, including the ARRA, to programs within the Homeownership and Rental Housing Programs:
 - Neighborhood Stabilization Program (NSP) – This program will provide \$12,401,100 in federal resources for the purchase and redevelopment of foreclosed, blighted, and vacant properties for the benefit of low-income individuals and households; 2.50 FTE limited-duration positions are included for program administration and reporting requirements.

- Tax Credit Assistance Program – The program provides for additional funding in the amount of \$24,609,575 for grants to complete housing projects funded with Low Income Housing Tax Credits that have been stalled due to declining tax credit values; and
 - Community Development Block Grant – \$830,000 in additional block grant funds will support the operation of regional one-stop housing resource centers and grants for single-family home repair projects.
- **Package 813 – Legislation/Document Recording Fee:** House Bill 2436 was enacted by the Legislature and adds a new \$15 fee to the existing fees pertaining to deeds and mortgage records filed with county clerks, with limited exceptions. Effective October 1, 2009, the bill specifies that 76 percent of the moneys must be deposited into a new General Housing Account created by the bill, and established by amending ORS 458.620. Funds deposited into the account may be used to support the activities of HCSD. Seventy percent of that amount, or \$10.6 million in 2009-11, will be used to finance multi-family affordable rental housing. The bill requires that 14 percent of the funds – \$2.1 million in 2009-11 – generated by the new fee be used for homeownership assistance (primarily down payment assistance for qualifying low income Oregonians). This package provides the expenditure limitation for these purposes as well as a 3.36 permanent FTE (per the effective date of the bill) to administer loans and grants for these purposes.

Program Outreach and Accountability (500-00)

This program unit includes the 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 \$1,887 General Fund and \$8,861,790 Other Funds, \$2,216,291 Federal Funds and 33.20 permanent FTE. The approved budget reflects no change from the modified EBL.

The Subcommittee took the following actions:

- **Approved Package 070 – Revenue Shortfalls:** The Subcommittee approved this package reducing \$1,646,618 Other Funds expenditure limitation and eliminating eight permanent positions (8.00 FTE) in this program unit to balance expenditures with available revenue. The package reduces Other Funds expenditure limitation for Personal Services costs by \$1,388,235 and reduces Services and Supplies and Capital Outlay Other Funds expenditure limitation by \$258,383.
- **Approved Package 090 – Analyst Adjustments:** The Subcommittee approved this package eliminating a revenue transfer to the Governor’s office that was included in the 2009-11 EBL.

Summary of Performance Measure Action

The Subcommittee took the following actions:

Deleted KPM #2, Affordable Homeownership Education. Data associated with this performance measure is flawed, because applicants provide information about participation on a voluntary basis.

Approved proposed KPM 10 in response to direction by the 2007 Legislative Assembly to develop a performance measure to track the cost per square foot of new affordable housing constructed using resources from HCSD. The target for the measure is “5% above the RSMeans average”, a nationally recognized standard for average costs measurement. The use of this average helps to mitigate the differences between types of buildings that HCSD constructs. The target won’t be known until after the fact (because this is a national average) and does not lend itself to this reporting format.