

Analysis
Housing and Community Services Department
Service Delivery Report

Analyst: Michelle Deister

Request: Acknowledge receipt of a report by the Housing and Community Services Department that recommends service delivery and administrative process modifications, pursuant to direction in the budget report for HB 5015.

Recommendation: Acknowledge receipt of the report.

Analysis: The 2013 Legislature approved one year of operating expenses for existing Housing and Community Services Department (HCSD) programs and directed the agency, via budget note, to report to the Legislature during the 2014 session on alternate service delivery models for 2015 and beyond. The budget note specified recommendations on the following:

- Programs and functions that should be discontinued due to redundancies in other agencies and sectors, or because of unsustainable funding, or lack of demand;
- Programs and functions with ongoing, sustainable financing sources that should be continued, and how these programs should be prioritized;
- Of the programs and functions that are recommended for continuation, specification as to which are recommended to be carried out by other agencies or entities, along with a demonstration that the change has been discussed with the potential receiving party, and that the recommendation is feasible;
- Proposed performance measures for programs recommended for continuation;
- The naming of an advisory body or bodies that should provide coordinated housing policy advice to agencies responsible for administering housing-related programs, the Governor, and the Legislature, and a recommendation on which advisory bodies to discontinue;
- A plan for implementing recommended changes which includes a timeline of when functions will be discontinued, transferred, or consolidated, and when remaining 2014-15 housing-related expenditure limitation should be granted, and how commitments related to bonds, grant agreements, and other legal or contractual obligations should be met; and
- Changes to statutes needed to implement the recommendations in the report, and to maximize the use of the Housing Trust Fund corpus to provide affordable housing to low income Oregonians.

In response, HCSD began a multi-month effort to examine its operations and solicit feedback from stakeholders. Acknowledging economic reality due to future limited operating revenue from expiring flexible bond indentures, low private sector interest rates, and sluggish single family loan generation, HCSD evaluated operations and options with the assumption that no new revenue would be available and that existing flexible operating revenue would be diminished. The agency committed to engaging with partners to make and evaluate recommendations that would strengthen policy linkages across state and local service

providers and increase accountability for improved outcomes for clients. The agency mapped its current programs and business processes, and then created “Scenario Build Teams” consisting of internal and external subject matter experts to make recommendations in the following core areas: Housing Counseling Grants Administration; Preventing and Ending Homelessness Grants Administration; Energy and Weatherization Grants Administration; Multi-family Housing Real Estate Finance; Single-family Housing Real Estate Finance; and Asset Management and Compliance. The Scenario Build Teams evaluated changes in service delivery according to principles and decision criteria that included but were not limited to the following:

- Better alignment among complementary programs in other state and local agencies and programs;
- Clear and measurable outcomes to gauge progress that ultimately result in reductions in poverty, increased equity and self-sufficiency for clients;
- Resources administered as close to the communities in which they are disbursed as possible, to allow for addressing unique challenges and local priorities;
- Maximum funding flexibility to encourage innovation and adoption of best practices;
- Simply shifting responsibilities or burdens to local partners is not an acceptable means of cost savings;
- The recommended changes contribute to a financially sustainable program over the long term;
- The recommended changes contribute to ease of processes, accessibility, flexibility, and coordination for clients and contractors; and
- Implementation risks are manageable and prudent.

Recommendations of the Scenario Build teams were shared at public meetings and a stakeholder conference in November 2013, and feedback was received and incorporated. This process formed the basis of the recommendations being presented to the Legislature.

Of the recommendations summarized in the agency’s request letter, the items likely to have the largest impact on operations include moving the food programs and Oregon Volunteers, moving from formula grants to performance-based contracting with partners over time, and eliminating unnecessary steps in grant disbursement and reporting on funds and asset management. The majority of the recommendations will be proposed for implementation in conjunction with regular 2015-17 budget processes. The Legislature is likely to see policy option packages that reflect transfers of programs where recommended, as well as streamlined reporting and administration evidenced by reductions in FTE and expenditures. Changes in Key Performance Measures can also be proposed and approved through the budget process, as is customary. Without changes in its operations, HCSD faces a 2015-17 operating shortfall estimated at \$8 million, which must be managed through attrition and leaner operations.

The Legislative Fiscal Office recommends acknowledging receipt of the report.