

Housing and Community Services Department

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	20,355,205	28,591,263	20,099,493	25,668,102
Lottery Funds	9,413,639	11,676,469	16,232,416	17,081,530
Other Funds	116,634,380	224,757,497	166,273,550	269,198,543
Other Funds (Nonlimited)	689,623,347	783,429,303	631,849,381	631,770,834
Federal Funds	112,299,287	120,118,294	122,847,675	123,897,984
Federal Funds (Nonlimited)	110,118,920	112,320,000	121,165,609	121,165,609
Total Funds	\$1,058,444,778	\$1,280,892,826	\$1,078,468,124	\$ 1,188,782,602
Positions	168	132	122	159
FTE	150.98	126.90	120.75	151.68

* Includes Emergency Board and administrative actions through December 2016.

Program Description

The Housing and Community Services Department (HCSD) provides financing and program support for the development and preservation of affordable housing, and administers federal and state antipoverty, homeless assistance, energy assistance, and community service programs. The Oregon Housing Stability Council, a nine-member panel appointed by the Governor, advises the director and agency, on affordable housing issues and approves certain agency investments in affordable housing.

CSL Summary and Issues

The majority of HCSD's General Fund is spent on payments to partners (often Community Action Agencies) that provide direct financial assistance to low income Oregonians to address and prevent homelessness. Examples include rental assistance, deposit assistance, access to other supportive services, and shelter support. General Fund is also expended on the following: landlord incentives to house low income persons; the Court Appointed Special Advocates program in which volunteers advocate for abused and neglected children in protective services; and pre-mediation counseling and legal assistance associated with the Oregon Foreclosure Avoidance Program.

The following "one-time" General Fund has been removed from the current service budget level:

- Emergency Housing Account (February 2016): \$8 million (with a corresponding removal of \$8 million in OF limitation);
- State Homeless Assistance Program (February 2016): \$2 million

- Wildfire Damage Housing Relief Program: \$50,000 - no payments have been made from this appropriation, as applicants have not met income limitations;
- Oregon Foreclosure Avoidance Program: \$4,167,660
- Transitional funding for the General Fund Food Program, which was transferred to DHS in 2015: \$590,860;
- Administrative support for Oregon Volunteers: \$250,000;
- Court Appointed Special Advocates one time additional special payments: \$210,000

CSL Amounts for each of the programs referenced above are as follows:

<u>General Fund Programs</u>		15-17 Leg Adopted	15-17 Leg Approved	17-19 Current Service Level	
Safety Net/Housing Stabilization Programs					
EHA	Emergency Housing Assistance	6,457,890	14,457,890	6,696,832	
SHAP	State Homeless Assistance Program	3,340,465	5,343,307	3,426,228	
LIRHF	Low Income Rental Housing Fund	478,368	478,368	547,780	
HCLGP	Housing Choice Landlord Guarantee Program	307,287	307,287	318,657	
OHRF	Oregon Hunger Response Fund	590,860	590,860	0	Transferred to DHS
WDHRP	Wildfire Damage Housing Relief Program	50,000	50,000	0	Phase out in 2017-19
ERA	Elderly Rental Assistance	0	0	1,500,000	Program transferred from DOR
Multifamily Housing Programs					
LIFT	Local Innovation and Fast Track Housing	0	159,385	0	One time 2015-17 support for underwriting.
Single Family Housing Programs					
OFA	Oregon Foreclosure Avoidance	1,440,000	4,167,660	0	Phase out each biennium allows for assessment of need/utilization
Central Services					
CASA	Court Appointed Special Advocates	2,764,318	2,776,396	2,648,719	
LIFT	Local Innovation and Fast Track Housing	0	9,965	35,015	0.25 FTE
OV	Oregon Volunteers	250,000	250,000	0	One time admin. funding in 2015-17
Total GF		15,679,188	28,591,118	15,173,231	

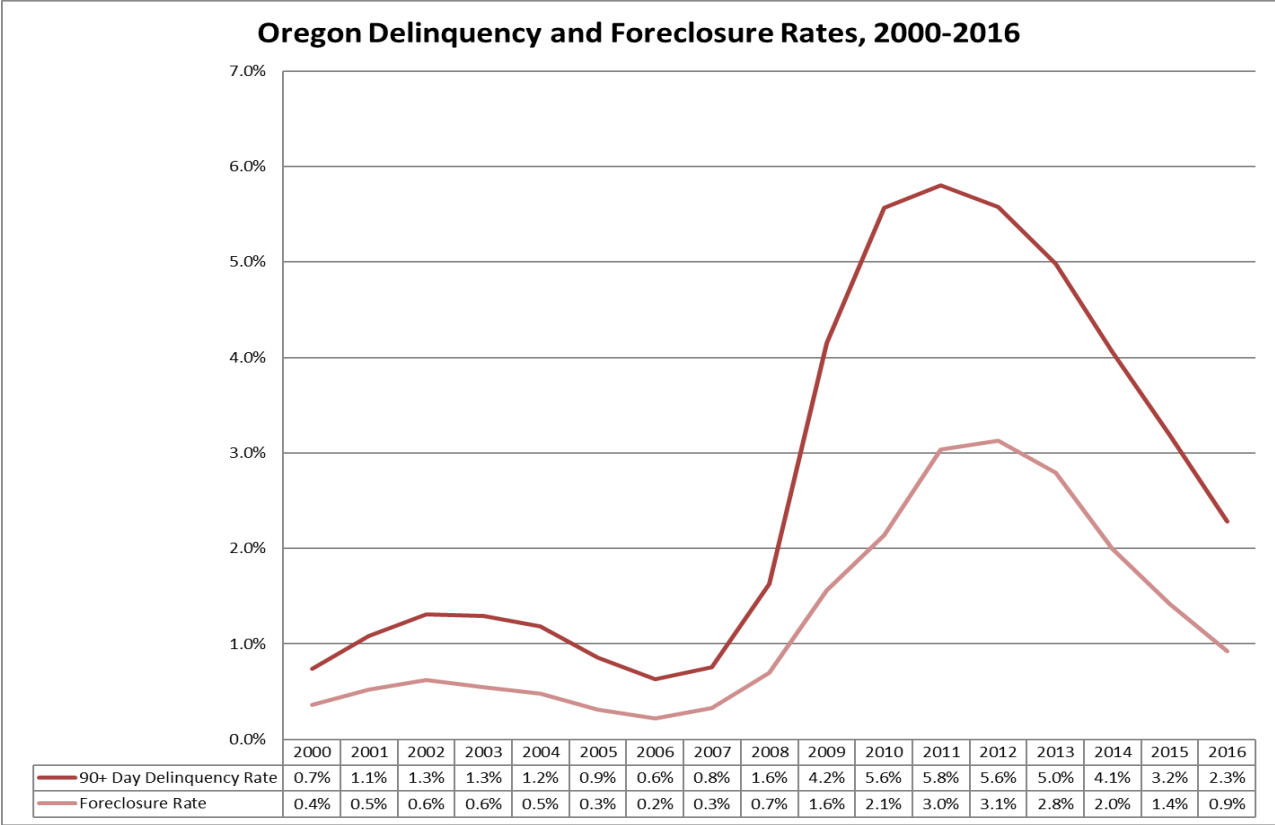
The Co-Chairs' Existing Resources Budget Framework identifies reductions in the amount of 3.1% to the current service level of Economic Development Program Area agencies with General Fund and Lottery Funds. For the Housing and Community Services Department, under the framework, reductions to Current Service Level would be necessary for those programs supported by General Fund in the above table.

Lottery funds are provided to HCSD for debt service payments on bonds issued to fund particular programs and preservation efforts in prior biennia.

Policy Issues

HCSD has been making efforts to identify program costs and align expenses with current revenue in an effort to ensure sustainable programs. Shrinking bond indentures are yielding lower earnings than previous years. Exacerbating the issue is a continued low interest rate environment that requires the agency to subsidize its bond-financed loan products to make them more attractive in the current market. Use of Other Funds bond indenture income is available to cover agency program and operating expenditures in an amount up to that which is recommended by the agency's independent financial advisor, currently \$6,050,000 per year. HCSD must also ensure that its bond indentures maintain sufficient reserves to ensure consistency in the agency's bond rating; a lower bond rating would increase the agency's borrowing costs, which further erodes the market position of the loan programs.

Actual expenditures associated with the Oregon Foreclosure Avoidance Program (created in 2012) for the 2015-17 biennium to date are running around 25% less than anticipated when additional General Fund was granted for the program in January of 2015, while the average number of counseling sessions per month dropped from a high of 176 in fiscal year 2014/15 to 98 in the first six months of 2016/17. Rates of foreclosure and loans that are 90+ days delinquent have exhibited a downward trend since hitting a peak in 2011. There has been a 25% drop in the average number of monthly reimbursable counseling and conference sessions among the 14 contracting counseling agencies for the program between July 1, 2015 and December 31, 2016. However, foreclosure rates continue to remain at higher levels than those seen prior to the recession. Consistent with the previous biennium, the Oregon Foreclosure Avoidance Program is not assumed in Current Service Level, so that the level of support for pre-mediation counseling and legal assistance can be determined based on data trends and program utilization.



Housing affordability will continue to be an issue in 2017-19, and it is anticipated that housing advocates will seek approval of additional XI-Q Bonds for the Local Innovation and Fast Track (LIFT) Housing program; \$40 million in Article XI-Q Bonds were approved during the 2015 regular legislative session. To date, projects totaling \$39.1 million were approved by the Housing Stability Council in January, 2017. Debt service on the approved in bonds will begin in the 2017-19 biennium. The agency seeks additional General Fund to support two positions associated with administering this program (a third position is supported with Other Funds). Additional Lottery Bond proceeds for preservation of affordable housing is also included in the Governor’s budget and requested by stakeholders.

There is some concern regarding whether Low Income Housing Tax Credits will retain their value. If the value of tax credits approved as part of affordable housing financing packages fall, project funding gaps could occur; unless addressed, such gaps could have implications for when or if approved projects get underway. To ensure viability of existing projects, HCS D has suspended the 2017 tax credit application

opportunity; the 2017 tax credit allocations will be offered to fill gaps in current projects, and any remaining tax credits will be awarded to projects that applied in 2016 but did not receive a tax credit allocation.

Other Significant Issues and Current Discussions

Oregon Volunteers! received no additional operating funding in the Governor's budget. Oregon Volunteers! is not central to the mission of the Housing and Community Services Department, and would require a subsidy to operate with its current management structure and location. Legislation to move the Court Appointed Special Advocates program from the Housing and Community Services Department to the Criminal Justice Services Commission has been submitted for consideration during the 2017 session.

A performance Audit by the Secretary of State was released in December of 2016, highlighting the need for improved preservation efforts, strategic planning and data management, as well as improved communication with agency employees and stakeholders. The audit also noted the need for improvement in contracting policies and practices, the number of projects in the evaluative or oversight stage versus existing staff capacity, and high turnover in certain divisions of the agency. In response, Director Margaret Salazar who took the helm on November 1, 2016 acknowledged these issues. HCSD has been working on several of them since at least 2014, and other recommendations will be incorporated into strategic planning and management efforts going forward.

The agency was directed to propose new Key Performance Measures in 2015, and presented a report in February 2016 for the purpose of obtaining feedback on measures under consideration; the Legislative Fiscal Office will make recommendations for final Key Performance Measures for the 2017-19 legislative budget review process.