



Testimony of
Erik C. Jorgensen
Director of Government Relations
MaineHousing

before
The Joint Standing Committees on Appropriations and Financial Affairs and
Labor, Commerce, Research, and Economic Development

In Support of

LD 221 - An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2022 and June 30, 2023 – 1st Regular Session, 130th Maine Legislature.

Senators Breen and Rafferty, Representatives Pierce and Sylvester, and Members of the Joint Standing Committees on Appropriations and Financial Affairs and Labor, Commerce, Research, and Economic Development, my name is Erik Jorgensen, Director of Government Relations at MaineHousing.

The Maine State Housing Authority is Maine's housing finance agency, created by the legislature in 1969 to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family and multi-family housing for Maine's low and moderate income citizens. These bonds carry the moral obligation of the state; they are repaid from mortgage payments, not the General Fund. We are structured as an independent agency to utilize effective private methods of finance for public purposes, to be independent, and responsive.

We are also authorized to act for the state in administering several federal programs including rental subsidies, weatherization and fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue

for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund to support our programs.

MaineHousing has five items in the current budget starting on page A-322.

The Home Modification Certificate Program

(account Z231)

Our first item is the Home Modification Certificate Program, on A322. The 126th Legislature passed a tax credit to offset the costs of making modifications to a home to make it accessible for a person with a physical disability or hardship. The overall credit is capped at \$1,000,000 per year and is income based and is available to homeowners earning \$55,000 or less. As we explained during our testimony on the Supplemental Budget earlier this session, we are proposing to eliminate this program to find savings as part of the Governor's curtailment initiative.

We don't eliminate programs lightly, especially ones with purposes as important as paying for home accessibility modifications. That said, this program had a structural problem that hampered its effectiveness: the fact that most people in this income category do not itemize their deductions, made this sort of tax credit inaccessible to most of those who would qualify.

I have consulted with members of our staff and have confirmed with them that we will continue to support this type of critically important work for people in this income category. We will now do that through direct grants offered as part of our Home Accessibility & Repair / Community Aging in Place program. We are currently working on a program redesign to assure this type of aid will continue to be available to those who both need it and who meet the financial qualifications.

The Housing Opportunities for Maine Fund – The HOME Fund (account 0442)

Our next item is the HOME Fund and that appears on Page A-323 as other special revenue account. The HOME fund was created in 1983 to provide a dedicated and flexible source of funding for affordable housing. It's our largest and I daresay most mission-critical source of state revenue. It was created with the support of the Realtors, bankers, and others in the industry who

got behind a doubling of the real estate transfer tax to provide that revenue. Ten percent of the tax stays with the county that collects it as an agent fee, and the balance is split between the General Fund and the HOME Fund.

One of the unique features of this Fund is that when the real estate markets are hot and the people we serve need more assistance, the amount of money in the fund increases. Conversely, when the market is soft and rents and prices might be more affordable, we get less. The fact remains, however, that need always exceeds resources.

Over the years the legislature has repeatedly diverted resources from the HOME fund to provide funding for other needs in the budget. That's not the case this year. In this biennium, the Governor and her staff, Commissioner Figueroa and both of the Committees here today joined housing advocates all working to hold the line on this commitment. The positive performance of the Real Estate Transfer Tax line has brought the HOME fund to an historic level, which is critical if Maine Housing is to continue ramping up closer to its annual production pipeline goal of 1000 units of new affordable housing in Maine each year.

As you may know, financing each affordable housing project represents a unique puzzle. In addition to various forms of loan financing, in addition to the rent that is anticipated, it's necessary to have subsidy to close the gap and make a project work. That can come from state tax credits like the one passed here last year, it can come from Federal tax credits, or it can come as cash from sources like the HOME fund. So about a 1/3 of the Home fund is allocated each year to providing subsidy for housing development.

Another approximately 1/3 goes to emergency home repair, home modification and home ownership programs, especially those serving first-time lower-income homebuyers who might need a little extra help to get into their first home. Another maybe 15-20% of the fund augments our support for homeless shelters, and the rest is available to respond to emergent short term housing needs. Last year for example, the HOME fund provided rent relief in a program that preceded the current federal one, as well as some valuable support for repair of supportive housing facilities. In the past it's been used to deepen wells during times of draught and for other urgent

one-time needs in housing. It's this flexibility that is the hallmark of the HOME fund and one that makes it so valuable.

In this budget, with an intact HOME fund, we have an important tool to move closer to the goals expressed by the Legislature to develop better, greener and more affordable housing – and more of it. I should also point out that 100% of these funds go to program. None for administration or overhead.

Low Income Home Energy Assistance Program (account 0708)

The next item is the Low Income Energy Assistance Program, also on A-323. The Public Utilities Commission created this program for the electric utilities. They asked MaineHousing to coordinate the flow of funds among the utility companies and the Community Action Agencies. At the time there was some discussion about the state contributing funds as well. That hasn't happened yet; but this account stands ready, as the vehicle for that. As a snapshot, the program recently served 21,261 households, and was funded at \$8,069,390 (but not using state money).

The Maine Energy, Housing, and Economic Recovery Program (account Z124)

The next item is The Maine Energy, Housing, and Economic Recovery Program, or what are also known as "Part E Bonds". This program was created in 2009 by the Special Joint Select Committee on Energy and the Economy to construct or substantially rehabilitate energy efficient affordable rental housing, to replace pre-1976 substandard manufactured housing units, and to create jobs. We were authorized to sell \$30,000,000 or more in bonds per year with a cap of \$200,000,000, but we only issue enough bonds to meet the level of debt service available. Those bonds are repaid from the state's share of the real estate transfer tax, and this line reflects the debt service for those bonds due over the biennium.

We will be refinancing these bonds this year, and we and we are pleased to say that we expect that will provide an unbudgeted savings of around \$500,000 that will go back to the state.

Shelter Operating Subsidy

(account 0661)

Finally, the last MaineHousing item is The Shelter Operating Subsidy, found on page A-324. This general fund line helps support operating costs for emergency homeless shelters across the state. The line was first funded in 1988 at \$500,000. In the 126th Legislature, an earlier version of the Labor and Housing Committee worked very hard to increase this appropriation to \$2,500,000 - and the Appropriations Committee worked hard to include it in the budget. The Governor continues this funding in this year's budget proposal.

I think it's important to note that MaineHousing support of shelters goes beyond this line. In addition to this \$2,500,000, MaineHousing adds \$1,350,000 from HUD's Emergency Solutions Grant program (federal funds, not shown in the State Budget), and \$3,000,000 from the HOME Fund. We combine these funds together to create the Emergency Shelter and Housing Assistance Program, which supports shelter operations, housing stabilization services as well as a performance incentive to help shelters find permanent housing for their clientele.

Incenting permanent housing also helps the Housing Authority qualify for additional HUD funding, which is partly based on performance. Together these sources comprise around half of the state's total cost for homeless and domestic violence shelters.

Those are our budget items. We are very pleased with our section of the proposed budget and urge your support for each item.

We appreciate your time and your interest in our programs. Thank you.