



Testimony of
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Senior Director of Government Relations & Communications
Maine State Housing Authority

before
The Joint Standing Committees on Appropriations and Financial Affairs, Labor and Housing,
and the Joint Select Committee on Housing

January 26 2023

In Support of

LD 206 "An Act to Make Supplemental Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2023"

Senators Rotundo, Tipping, and Pierce; Representatives Sachs, Roeder, and Gere, Members of the Joint Standing Committees on Appropriations and Financial Affairs, Labor and Housing, and Housing, my name is Erik Jorgensen, and I am a Senior Director 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 one initiative in the Supplemental budget, and it appears on page A-29. This initiative is an adjustment to bring allocations in line with projected resources in our other special

revenue fund, also known as the Housing Opportunities for Maine (HOME Fund) . This is a reduction of \$3,783,453, and was the result of a forecast reduction in anticipated revenue between the March revenue forecast and the December forecast. In March the revenue was projected to be \$32,190,500 and in December that forecast was revised to \$28,407,047, resulting in this adjustment.

The HOME Fund supports a wide range of critical activities, from support and repair of homeless shelters, to providing down payment assistance to first time homebuyers. It fills gaps in federal funding for well water and lead remediation, it supports weatherization for low income families and funds workouts for borrowers who have run into financial trouble and whose loans need restructuring. It also supports the construction of housing units. This is the only funding MaineHousing has that can be flexible and used to respond to state needs as they emerge. And I always like to point out that no money from this fund is used to pay for staffing or for overhead at MaineHousing. We provide a statutory report on this fund to the legislature, and I believe that will be coming out in March.

While this adjustment is not welcome news, it is routine and reflects both the cyclical nature of the real estate market in Maine, and the reality that the HOME fund has been at record levels corresponding to the volume and value of real estate transactions in recent years. The fund expands and contracts with the economy, and it is this volatility that underscores MaineHousing's reluctance to put any sort of long term programs into this fund. As recently as 2016 the HOME fund was receiving less than \$9 million, so going from \$32 million to \$28 million is manageable.

This is about a 10% reduction in the projected funding, and we will manage to the new funding level. We always have more allotted to the HOME fund than we have resources to pay for in a given year, but many of the activities it supports can be reduced or postponed if necessary through financial management. In addition, MaineHousing's fiscal year is different than the state's fiscal year, so we can make adjustments in our resource allocation process going forward.

Thank you.