



*Testimony of*  
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*Before*  
The Joint Select Committee on Housing  
Neither For Nor Against  
LD 1710 (HP 1099)

**"An Act to Establish the Maine Rental Assistance and Guarantee Program and Amend the Laws Regarding Tenants and the Municipal General Assistance Program"**

Senator Pierce, Representative Gere, and members of the Joint Select Committee on Housing, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony neither for nor against LD 1710 "An Act to Establish the Maine Rental Assistance and Guarantee Program and Amend the Laws Regarding Tenants and the Municipal General Assistance Program".

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, 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.

Representative Golek's bill seeks to solve a very difficult and real problem, assisting extremely low income households in our state (at or below 30% of area median income) who are characterized as facing a severe cost burden with regard to housing. This means that they are spending more than 50% of their household income on direct housing costs (mostly rent). The National Low Income Housing coalition estimates that just over half of renters in this income category are extremely cost burdened. And while the percentage of renters in this position is lower in Maine than in the other New England states<sup>1</sup>, it points up that this is a significant and serious challenge here, as it is across the country.

As this committee knows well, we recently completed the federal Emergency Rental Assistance program. In that \$350,000,000 program, which served nearly 35,000 Maine households, we found that almost 60% of the program participants had incomes at or below 30% of area median income. We can therefore infer

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<sup>1</sup> [Housing Needs By State | National Low Income Housing Coalition \(nlihc.org\)](https://www.nlihc.org/)

that most of those households would likely qualify for this program if it were to pass. We can't of course predict how many would actually apply for this program, but the sense we get is that this has the potential to be a very large undertaking.

This, then, leads us to some concerns. The first of these is one I have mentioned before, and it relates to the fact that short-term funding, such as comes from a state budget, is unpredictable. The fiscal note for the bill as amended will clearly be different than the one that was originally proposed, but we don't know if the revenue provided by the proposed transfer tax increase will be sufficient to generate the amount needed when combined with other revenue from the general fund. I have not seen a revised fiscal note, but regardless, we are concerned with any program funded by the state on which people will rely for their housing. State funding can quickly evaporate during a time of economic recession, and our worry with any state-funded program of this magnitude is that it creates a situation where people who rely on the support might suddenly find themselves without it. This is one of the reasons why the section 8 program is run by the federal government – voucher administrators can count on the resources being there year after year. It is not clear how a program like this would fare in a downturn.

A second major concern is with administration. We don't know exactly how this program would reach the public, but it would require deployment of a significant administrative infrastructure, maybe at public housing authorities or possibly through a third-party vendor. However it is set up, programs that require income determination and verification are very labor intensive and the administrative costs tend to be high. This program would need to come with adequate administrative funding to allow for enough staff to provide these services. The federal emergency rental assistance program, just for illustration, had dozens of people providing intake and application services around the state. It is not clear how many people would be needed to deliver a program of this size.

One other specific concern relates to the "Rental Guarantee" section (part 2) of the program. We certainly could allocate some of the provided funds to hire navigators; we would be happy to expand our landlord incentives and to connect landlords to lead abatement resources. But with regard to 2-B sub 2, in which MaineHousing would provide "letters of credit" to landlords on behalf of tenants (especially tenants who have, per section 1-C sub 1, not been screened for rental history or creditworthiness), we don't think we can do that. Our legal department is very concerned that this would require us to enter into contracts with a large number of landlords and constitute a serious financial liability for our agency.

Finally, it's worth pointing out that new state voucher holders would find themselves subject to the same apartment inventory shortages that are currently such a challenge for existing Section 8 voucher holders. As you know, searchers are often challenged by unavailability of units, and not just price.

We appreciate Rep Golek's willingness to work with us and with others in making adjustments to the bill, but we do have some practical reservations about how such a voucher program would work. Thank you.