

*Testimony of*  
Erik C. Jorgensen  
Senior Director of Government Relations and Communications  
Maine State Housing Authority  
*before*  
The Joint Standing Committees on Appropriations and Financial Affairs  
and the Joint Committee on Housing & Economic Development

*Regarding*

**LD 210 "An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027"**

- Emergency Housing Matching Grant Program Fund
- Emergency Housing Relief Fund Program
- Housing Authority – State
- Housing First – MSHA
- Housing Subsidy Program for Homeless Students
- Low-Income Home Energy Assistance – MSHA
- Maine Energy, Housing and Economic Recovery Program
- Shelter Operating Subsidy
- Stable Home Fund
- *Language Part "PP" Transfers \$3,000,000 from the unappropriated surplus of the General Fund to the Maine State Housing Authority, Housing Authority - State, Other Special Revenue Funds account to support a manufactured home and mobile home park preservation and assistance program.*

**February 5, 2025 (10AM)**

Senators Rotundo and Curry, Representatives Gattine and Gere, and Members of the Appropriations and Housing and Economic Development committees, my name is Erik Jorgensen, Senior Director of Government Relations and Communications 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 not part of state government, but 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.

The context for today's budget hearing is worth noting, as we are emerging from a period of unprecedented program and subsidy funding. In 2023 alone, MaineHousing provided more than \$557 million dollars to Maine people, in the form of home purchase assistance, housing development subsidy, energy assistance, rental assistance and homeless assistance. Thanks in large part to state investments and the historic level of attention by recent legislatures and this Administration, we have never had a larger production pipeline in our agency's history, and as of today, we have 2,834 units of housing at some stage of development or construction around Maine. Thank you for making this a priority.

We have worked closely with state government in coordinating these investments, with various housing production programs, for supporting the Housing First initiative that went into effect last session, and for other programs, many of which I will touch on. We know the budget this year is a very difficult one, but we hope we can together find ways to extend this important work.

Our state funding, while not comprising the majority of our agency's budget, provides absolutely critical resources to help us meet Maine's housing needs, both programmatic and capital. We have serious concerns about the effect of the proposed \$10MM funding reductions proposed for the HOME fund in language part QQ, and I will speak briefly to that later in my testimony.

MaineHousing has ten items in the biennial budget starting on page A-411.

***Emergency Housing Matching Grant Program***

***(Account Z390)***

There are no new initiatives or funding proposed for this program. This is a program that was established pursuant to LD 1844, in the last Legislature, which proposed a fund to support capital construction and improvements in emergency shelters. The bill had requested an ongoing appropriation of \$5 Million per year, but was funded off the table at \$257,000. Nonetheless, MaineHousing developed the program, held a competition, received applications and awarded the funds to a shelter organization which used them to match a congressional earmark and start construction on a badly needed new shelter facility. The amount of work required to make an award for that amount is significant, but the grant did provide the means for an important project to move forward.

***Emergency Housing Relief Fund***

***(Account Z340)***

The Emergency Housing Relief fund is a resource that the Legislature has provided in four tranches, totaling \$68 million over the past two biennial budgets and through two supplemental budgets. The fund has provided resources to address emergency housing issues in Maine and has been allocated by MaineHousing in cooperation with the Governor's office through grants and contracts to help with emergent issues around housing. While it was first established as part of Maine's pandemic response, the fund should also be seen as a more general response to the state's homelessness problem, as it has provided support for both winter warming shelters (ones that are currently operating all around Maine), and other projects that create new shelter beds long-term; it also supports transitional housing activities in various locations.

As you will see on page 412, the fund is budgeted to receive \$2.5 million dollars in each year of the new biennium. This is not new funding nor a continuation of the EHRF as it has functioned in the past; rather this is funding to support low-barrier shelters, an initiative included in the change package supplemental budget that you passed last spring.

***HOUSING AUTHORITY – STATE Including the HOME Fund (account 0442)***

Account 0442 is MaineHousing’s state funding, which comes through an Other Special Revenue account. It reflects both the HOME fund and other one-time funds provided by the Legislature to support housing production over the past few years. Between years 23 and 25, this budget line increased dramatically, as the Legislature added \$100 Million, distributed across both years for additional rental housing production in both the Rural Affordable and 4% LIHTC programs, as well as funding for our affordable homeownership program. Those funds have now mostly been committed to new construction in our housing pipeline (in fact, the last available funds for the rural rental and affordable homeownership programs are being scored now) and so for SFY 26 and SFY 27 this line reflects only the HOME fund.

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. 10% of the tax stays with the county that collects it as an agent fee, and half of the remainder goes to the HOME Fund. The other half is divided between the General Fund, and debt service for a special series of housing bonds, and the new Housing First program, both of which I will speak to in a minute.

Over the years, the Legislature has repeatedly diverted funds, totaling over \$80 million, from the HOME fund to provide funding for other needs in the budget. That had not been the case in the last two budget cycles, and for that we are very grateful. This budget proposal, however, proposes a \$10 Million reduction over each of the next two fiscal years, and that has us extremely concerned – not for our agency, which takes zero administrative funding from that account, but from the thousands of lower income Maine people and organizations who benefit from programs it supports. This is MaineHousings’s only discretionary funding source, and the key to its success has been its flexibility.

In 2023, the HOME Fund funded \$33,950,406 in expenditures. We operate on a calendar year, so we do not have the final numbers for 2024 yet, but the 2023 numbers will provide an illustration of the fund’s uses. Home fund resources support a variety of housing programs – around 15% of that was used to support first-time homebuyers, providing down-payment assistance for people buying their

first home. In this category, the fund also supported foreclosure avoidance programming, mobile home replacement, and housing counseling.

Another 24% paid for services for owners of substandard homes, and this covered well water contaminant abatement, lead remediation, and several low income home repair programs, including general repairs, repairs to make a house ready for weatherization, repairs to properties being rented to Section 8 tenants, and repairs for homes owned by older Mainers, including the Community Aging in Place program that provides home modifications to improve accessibility.

The next 18% of the funds supported services for the homeless – our shelter operating subsidy, rapid re-housing, eviction prevention, and our navigator program, as well as support for Maine’s redesigned system of homeless service coordination, now centered around nine service hubs.

13% of the funding supported shelter repair and supportive housing services, and

The remaining 25% of the funds were used to provide subsidy for the creation and preservation of affordable housing. This relates to a provision that the legislature inserted three years ago – there was an initiative to increase the HOME Fund allocation by 25% and at the same time to require 25% of the fund go to housing production. What happened was that the additional funding never came through, but the 25% provision did, resulting in our having to make cuts from other areas and giving us a lot less flexibility overall. We have on occasion used the HOME fund to support production, but when it’s a required percentage other things like lead abatement, homeless shelter support, home repair and weatherization get cut back. In light of the proposed \$10 Million cut from the HOME fund, we would like to ask you to consider removing this 25% requirement – Of course we would be really excited if you could restore the \$10 Million!

The legislature receives a detailed biennial report from us on the HOME fund, and that will be coming to you in April.

Moving down the page, there are two **INITIATIVES** in this part of the budget. The first one simply reconciles the HOME Fund budget to the revenue projections for fiscal years 25-26 and 26-27. This means a reduction to the HOME fund of \$297,985 in the first year and \$772,166 in the second year.

The second INITIATIVE on page A-412 provides \$3,000,000 in one-time funding to extend MaineHousing's **Mobile Home Park Preservation and Assistance Program**. This corresponds to Language PART PP (p. 87 of the Language section). This fund was established last spring as part of the supplemental budget, when several of Maine's largest mobile home communities were on the market. Mobile home communities have proven to be very attractive to large out of state real estate investors, and when they are purchased by these entities it can prove disastrous for the residents of these parks, who are often below 30% of AMI. These residents own their homes, but not the land the homes sit on, making them uniquely vulnerable. Under an investor purchase, the lot rents typically go up immediately and continue to increase each year thereafter.

Experience in Maine and elsewhere has found strategies to preserve affordability. One of these is for residents to buy the parks and organize them as co-ops; another is for the park to find a mission-based buyer like a public housing authority.

The \$5 million provided by the state this spring has gone to good use – two parks have been purchased by their residents, and rent has been stabilized, preserving affordability for more than 400 units in Brunswick and Bangor. These state funds serve as gap filler, providing the last bit that's needed for a sale to close. We used \$3.2 million of state funding in the \$27 Million Brunswick deal and \$1.1 Million at the smaller sale that is currently taking place at the Cedar Falls community in Bangor. These funds will help lower the purchase price, and in both the parks, state support has helped make rent increases more affordable for several years. To be clear, even with this funding, sales of mobile home parks in a hot real estate market are never easy for the residents, even if they are the buyers. But with this relatively small amount of flexible state subsidy, affordability has been preserved. And we appreciate the Governor's decision to add more to this fund for the next biennium.

***Low Income Energy Assistance Program***

***(account 0708)***

The next item is a placeholder account for the Low-Income Assistance Program, and it is found on page A-433. There is no activity projected for this account in the next biennium. This program is commonly referred to as LIAP and it provides an electricity discount for low-income electricity

consumers. This should not be confused with LIHEAP or HEAP, which is our federally funded heating assistance program.

The Public Utilities Commission created LIAP for the electric utilities, and funding for it comes from electrical ratepayers, not the state. The PUC asked MaineHousing to coordinate the flow of funds among the utility companies and the Community Action Agencies, which we do. To put this in perspective, around 47,000 households took part in this program last year. There are no initiatives in this program, but during the earlier biennium the state added 7.5 million per year to bolster this benefit.

***Housing First – MSHA***

***(Account Z381)***

The 131<sup>st</sup> Legislature enacted a new program that will direct half of the State’s portion of the Real Estate Transfer tax to support, the construction and ongoing operation, of new “Housing First” projects, designed to provide housing for chronically homeless people. At first, the funding will support the construction of the buildings, and then gradually it will shift to supporting services, as those buildings start to come online. Eventually all of the funding stream will support the social and services that are needed for those projects to be successful. This is currently a placeholder account that will, once funds start to flow in that new program on July 1, be used to manage MaineHousing’s share of the funding stream.

This is a joint project of MaineHousing and DHHS – we have done joint rulemaking this past year and will be accepting proposals from developer/service provider teams later this spring. DHHS and MaineHousing just submitted our first annual report on this program if you’d like to learn more.

***Housing Subsidy Program for Homeless Students***

***(Account Z404)***

This program provided **one-time funding** of \$2,000,000 provided in last year’s supplemental budget to help prevent homelessness among K-12 students and their families. It was awarded, after rulemaking and an RFP process, as grants to a total of five school districts last month, and will fund navigation, direct assistance to students and other services.

***Lead Abatement Fund***

***(Account Z267)***

This is an account in which no activity is budgeted for the coming biennium. This fund was included in the 24-25 biennial budget, to provide a way to extend our federal-funded lead abatement activities. The hope with this funding was that it could become ongoing at some level, given that past state support for lead through an earlier bill came in at close to a million dollars per year. But it was provided with a one-time general fund allocation of \$300,000.

***The Maine Energy, Housing, and Economic Recovery Program***

***(account Z124)***

The next item is The Maine Energy, Housing, and Economic Recovery Program. This program appears on page A-415. This program was created in 2009 with the aim of constructing or substantially rehabilitating energy efficient affordable rental housing, to replace pre-1976 substandard manufactured housing units; and to create jobs. We are 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 that's available from the state. 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.

I am pleased to report that when interest rates were lower a few years back, we recently restructured the debt in this program and issued new bonds at a substantially lower interest rate. This allowed us to provide an additional \$36,000,000 in new housing subsidy, while holding the state's annual debt service payment level. The \$4,317,207 shown as an Other Special Revenue line in the budget represents payments on those bonds over the next two years. There is a small INITIATIVE in this section, and it simply reconciles the budget to the bond payment schedule.

***Rural Recovery Residence Fund***

***(Account Z380)***

This is another currently unfunded budget line, and it provided funding in the last biennium to help create rural recovery residences. The funding was used in conjunction with a federal earmark to support construction of several recovery houses in greater Bangor. This was one-time funding so there are no initiatives going forward.



***Shelter Operating Subsidy***

***(account 0661)***

The Shelter Operating Subsidy appears on page A-416 and is our only ongoing general fund line. These funds support operating costs for emergency homeless shelters across the state. The line was first funded in 1988 at \$500,000. In the 126<sup>th</sup> Legislature, funding was increased to the current level of \$2,500,000 in 2018. The Governor continues this funding in this year's budget proposal.

I think it's important to note that MaineHousing's support of shelters goes beyond this line. In addition to this \$2,500,000, MaineHousing adds funding from HUD's Emergency Solutions Grant program (currently \$1,283,470 in federal funds, not shown in the State Budget), and \$3,500,000 from the HOME Fund. We combine these funds together to create the Emergency Shelter and Housing Assistance Program (we call it ESHAP), which supports shelter operations and housing stabilization services in around 40 shelters. It also includes a performance incentive to assist shelters in reporting the most accurate data on the clients they serve.

Shelters in Maine have traditionally been funded by their communities. With this operating subsidy plus those other funds, the ESHAP program provides a portion of the cost of shelters in Maine (usually between 20 and 50% depending on each shelter's structure and operations). As you surely have heard, shelter costs have increased dramatically in recent years, starting with the pandemic. The low-barrier shelters made a successful case for additional funding last Spring and that is in the budget, but it's important to point out that all the shelters in Maine are underfunded, and many are at real risk of closing.

***Stable Home Fund Z405***

***(account 0661)***

Finally, last Spring, the legislature appropriated \$18,000,000 as a one-time pilot program to provide rental assistance for households at risk of eviction. There is no additional funding in the budget for that account.

To provide a little bit of a progress report the budget specified that this program provide up to \$800/month paid directly to the landlord for qualified tenant households over a period of up to 24 months. The program launched in October and is currently in operation under the administration of

the Quality Housing Coalition. We quickly had enough applicants to likely obligate the funding, which operates in two ways – it clears rental arrearages, then provides support going forward for a number of months, with more months of support available based on a recertification. Based on our current projections, we think that the program will ultimately serve around 1400 households, and we expect to be drawing from our wait list. We will be reporting back to the legislature on this program as it progresses.

This concludes my testimony. We appreciate your time and your interest in our programs, and I want to be clear that we are very aware of the challenges you face in writing this year's budget. Thank you.