

S00A00

Department of Housing and Community Development

Fiscal Year 2026 Operating Budget

Response to Department of Legislative Services Analysis

House Appropriations
Health and Social Services Subcommittee
Delegate Emily Shetty, Chair

February 12, 2025

Senate Budget and Taxation
Health and Human Services Subcommittee
Senator Cory McCray, Chair

February 17, 2025



DLS Recommendations and Response

1. The fiscal 2026 allowance includes an increase of 1 regular position for a financial manager in the Division of Neighborhood Revitalization. The Department of Legislative Services (DLS) recommends deleting the new position and filling the role by reclassifying a vacant position.

Response: The fiscal 2026 allowance includes an increase of 1 regular PIN as a result of a statutory mandate in House Bill 538 of 2024 to create a Historic Property Revitalization Director within DHCD and provide a salary for the Director in the state budget. This position is not related directly or indirectly to CDA operations. Thus, General Funds is the only source available to cover the cost of this position. All other vacant positions are earmarked for specific DHCD operating needs with their corresponding funding sources. If the General Assembly does not provide General Funds for this position, DHCD will not be able to fulfill this statutory mandate due to fiscal constraints on its Special Funds.

2. Just Communities: The committees requested that DHCD submit a report on Just Communities, specifically areas that would meet certain criteria that would be eligible for prioritization of State funding under Chapter 147 of 2024. This report was due within 30 days of designation; however, no date was ever designated for DHCD to submit the report. DHCD is anticipating that this report will be completed during spring 2025.

Response: Spring 2025 is when the Division of Just Communities will present the first tranche of designated Just Communities to the Secretary for recommendation to the Governor.

3. HSP

DHCD should discuss the reasons for the decrease in persons receiving homelessness services and households exiting homelessness to permanent housing.

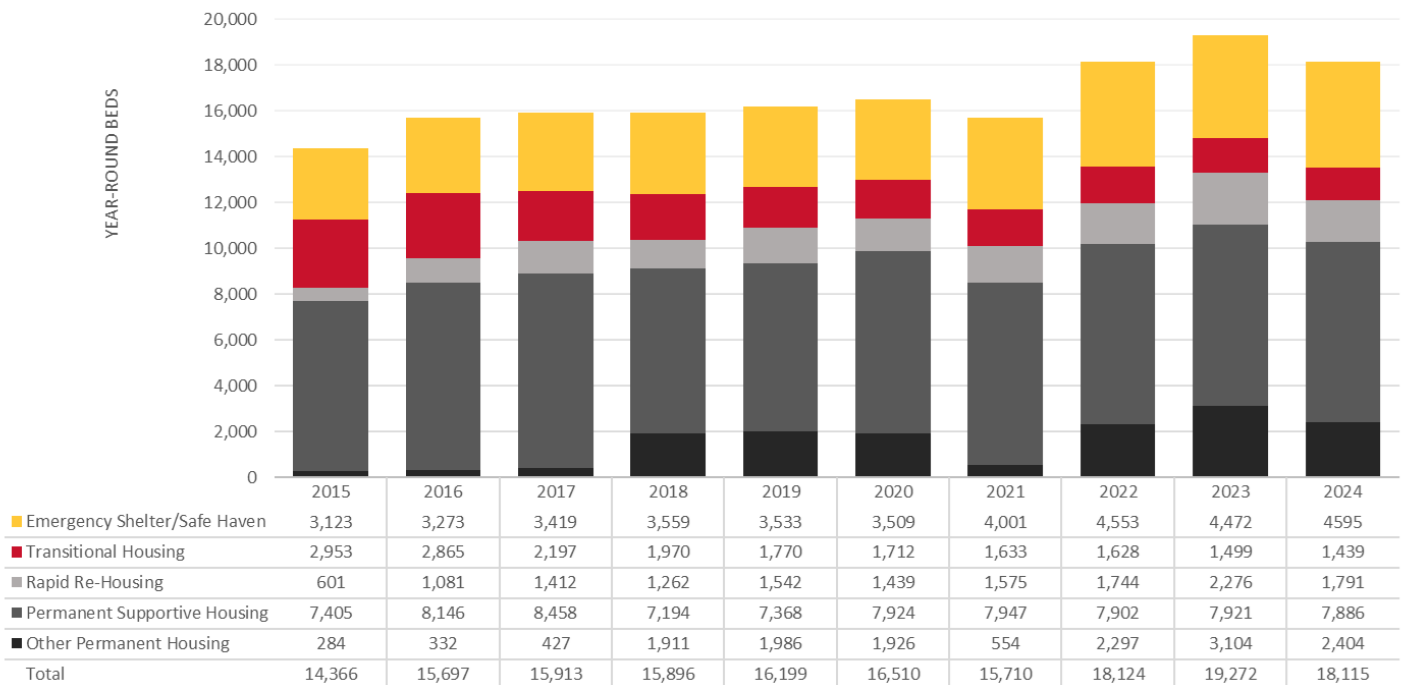
Response:

HSP funding has remained flat for the last several fiscal years while the actual costs to provide homeless services and permanent housing assistance have risen dramatically and federal funds for homeless services have dried up:



- Fair market rents have increased 41% in three years, resulting in less people that can be served with prevention and rapid re-housing services under HSP (both primarily rental assistance programs)
- There has been a significant statewide reduction of permanent housing capacity for homeless households due to the exhaustion of COVID-era funds in FY23/24 that were allocated to homeless services through both state and direct local awards (CARES Act ESG and CSBG funds, ARPA Emergency Rental Assistance and SLFRF). For the first time in a decade, the state had a decrease in permanent housing inventory from FY23 to FY24. Rapid re-housing beds decreased 21% and permanent supportive housing decreased 7% in just one year, resulting in lower exits to permanent housing. ***Right now, there is only 1 new permanent housing opening for every 10 people that will experience homelessness in FY26.***

MARYLAND HOMELESS SHELTER AND HOUSING INVENTORY COUNT, 2015-2024



- The 4.6% decrease in number of people exiting HSP-funded programs to permanent housing mirrors and is correlated with the 3.1% decrease in number of people served by HSP-funded programs overall - a function of rising rents and program delivery costs. However - while the number of people exiting to permanent housing from HSP-funded projects decreased, the overall percentage of people served who exited to permanent housing remained constant at 25% between FY23 and FY24. Also, ***HSP-funded projects have a higher percentage of people who exit to permanent housing (25%) than the statewide average for all homeless programs (22%).*** It is important to note that permanent housing is narrowly defined by HUD in



their data collection standards for CoCs - it does not include individuals who move in with family and friends, moved from an unsheltered setting to a shelter, moved from an emergency shelter into transitional housing, or otherwise moved to a better or stable location that just wasn't a lease or rental unit.

- Due to economic conditions and increased cost of living, individuals receiving rapid re-housing assistance are requiring deeper subsidies and longer lengths of assistance to stabilize in permanent housing, which results in less people served overall.
- Individuals seeking homeless prevention services continue to have higher rent arrears than pre-pandemic, and require more financial assistance to resolve their housing crisis and avoid entering a shelter (a far more costly intervention).

4. Community Schools Rental Assistance

DHCD should comment on the planned use of funds for the Rental Assistance for Community School Families

Response: DHCD has been collaborating with the Governor's Office for Children and Maryland State Department of Education to develop a program design and data framework for allocating and targeting funds. Additionally, DHCD is partnering with fellow state agencies and local community schools to develop and pilot companion training for community school coordinators on (1) proactively identifying families struggling with housing stability and eviction, (2) increasing awareness of rights and resources available under McKinney-Vento for homeless and unstably housed families, and (3) equipping them with local resources and providers for homelessness, housing, and eviction legal services in their community to improve connection of families to needed services. DHCD anticipates encumbering FY25 funds and awarding FY26 funds through a single competitive grants process and announcing target funding areas and schools by May.

5. CDA (MEAP)

DHCD should discuss the reason for the decrease and how the reduction will impact the operation of the program and households served through the program.

Response: DHCD receives funding for its MEAP program as a subaward from DHS, traditionally from the federal LIHEAP program. Historically, the allocation was up to \$5 million before the COVID pandemic. With the arrival of COVID relief funds, the MEAP allocation to DHCD was increased. After the relief funds ran out, the allocation was reduced



back down to pre-pandemic levels. The table below shows funding allocations over the program years.

MEAP Funding	PY2019	PY2020	PY2021	PY2022	PY2023	PY2024	PY2025
Crisis HVAC Work	\$2,250,000	\$3,250,000	\$5,000,000	\$11,000,000	\$8,000,000	\$6,000,000	\$5,000,000
Weatherization	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$0	\$0
Total	\$2,250,000	\$3,250,000	\$5,000,000	\$16,000,000	\$13,000,000	\$6,000,000	\$5,000,000

Only during program years 2022 and 2023, the funding amounts were sufficient to service all customers that applied for replacements of non-functioning heating or cooling systems. The recent reduction in funding coupled with industry-wide increases in labor and material costs, leads to funding running out before all clients can be serviced and long waitlists for the next funding round. At the beginning of the current program year, over 600 customers were on the waitlist. The existing funding is expected to be just enough for the customers waiting since last year and not sufficient for customers from this year.

6. CDA (PBCA and HCV)

The largest increases in the rental assistance program occur for the Section 8 program, including both increases in federal funds for vouchers (\$5.5 million) and administration (\$25 million). DHCD should comment on the factors causing the increase of the Section 8 Administrative contract.

Response:

DHCD is the public housing authority for the Housing Choice Voucher in the rural areas of the eastern and farther western shore, administering on average 2,500 vouchers. Every year, the number of vouchers, and the rent allowance for those vouchers, adjusts, based on HUD program budgets. As a result, DHCD’s federal fund appropriation often needs to increase to match program deployment.

In addition, DHCD’s Performance Based Contract Administration division is responsible for the monthly rent payments, leases, and audits of over 22,000 HUD units in Maryland. As new units get assigned to DHCD’s contract, and as monthly rent payments get adjusted by HUD, DHCD’s federal fund appropriation often needs to increase to match the monthly payments, which are on average, \$25 million or more.



7. CDA (WAP):

DHCD should discuss the status of using the funds allocated to the program through the IIJA and how it has used the program to supplement other funds available for WAP.

Response: To date, \$4,729,180 of the \$45,708,416 budget has been spent. The funding has served 398 single family households in addition to the households served through the traditional WAP program. The purpose and requirements for the IIJA allocation are the same as for the traditional WAP program except that IIJA funding is exclusively designated for single family homes. The two funding streams cannot be combined on the same project. Therefore, the IIJA allocations' sole outcome is to be able to reach more households. DHCD is currently onboarding additional subgrantees for the added volume of work.

8. Broadband (MEBB)

DHCD should comment on its plans to reallocate remaining funds.

Response: The remaining Maryland Emergency Broadband Benefit (MEBB) funding has been fully allocated to organizations statewide to subsidize internet service for public computer labs that serve Maryland's most vulnerable populations. The remaining funding aligns with the Maryland Computer Lab Program (MD-CLP), which supports local jurisdictions—including cities, counties, and municipalities—as well as nonprofit organizations working to bridge the digital divide. Projects were awarded with the remaining funding in December 2024, and grantees have until October 30, 2026, to utilize the funding.

9. Broadband (Connected Devices Program)

DHCD should comment on the planned timeline for expending the remaining funds for this program.

Response: The remaining funding has been allocated to 73 organizations across the State for the MD-CLP. The program is designed to expand public computer access for individuals with disabilities, residents experiencing homelessness, veterans, and justice-involved individuals, including those who are incarcerated or reentering society. By equipping these populations with reliable internet access, the program aims to foster digital equity and empower individuals with the tools necessary for education, employment, and essential services. Projects were awarded with the remaining funding in December 2024, and grantees have until October 30, 2026 to complete the computer lab establishment projects.

