

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Ohio Housing Finance Agency**

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February 2013

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## **ATTACHMENTS:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

# Ohio Housing Finance Agency

- The executive recommends \$12.2 million in both FY 2014 and FY 2015
- Appropriations are for payroll only
- Includes approximately \$2.5 million in FY 2014 and \$2.6 million in FY 2015 in federal Hardest Hit Fund dollars

## OVERVIEW

### Agency Overview

The mission of the Ohio Housing Finance Agency (OHFA) is to offer affordable housing opportunities by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family homes and multifamily rental housing projects. The agency's programs serve low- and moderate-income first-time homebuyers, renters, senior citizens, and other populations with special needs who otherwise might not be able to afford quality housing. OHFA coordinates its programs with private industry and local communities, and funds them primarily through revenues from the issuance, private sale, and repayment of mortgage revenue bonds, as well as federal funds from the U.S. Department of Treasury as part of the federal Hardest-Hit Fund initiative and the Department of Housing and Urban Development (HUD) under the HOME Investment Partnership Program.

OHFA operates various housing programs under three discrete program offices: Office of Homeownership; Office of Planning, Preservation, and Development; and Office of Program Compliance. In addition to these offices, there is a Program Management Office, the functions of which are divided among eight sub-offices, including the following: (1) Executive Director, (2) Administration, (3) Affordable Housing Research and Strategic Planning, (4) Information Technology, (5) Communications and Marketing, (6) Legal Affairs, (7) Internal Audit, and (8) Finance. The agency is overseen by an 11-member board consisting of the directors of Commerce and Development (or their designees) and nine compensated public members appointed by the Governor.

### Appropriation Overview

#### Payroll Funding

The recommended funding for OHFA covers only the payroll costs of the agency and does not include funding for the various low- and moderate-income housing assistance programs overseen by the agency. The payroll funding is derived from revenues, program fees, administrative fees, and loan application, reservation, and servicing fees generated from OHFA programs. These revenues are deposited into the

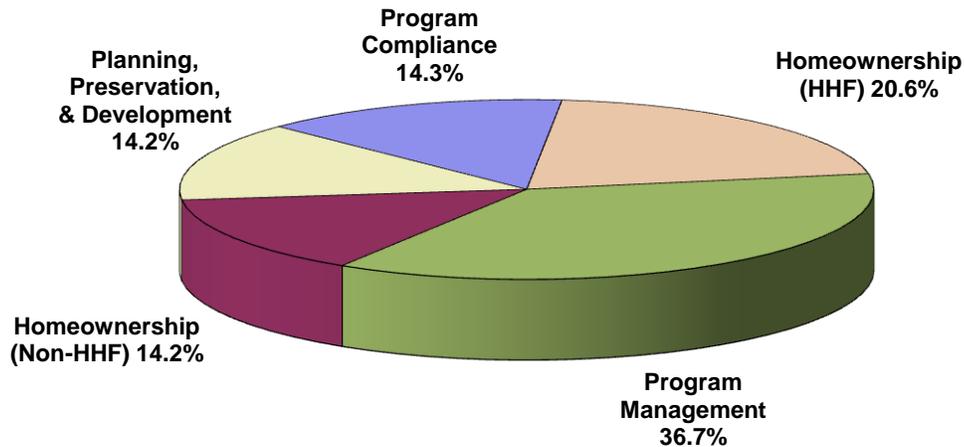
Ohio Housing Finance Agency Operating Expenses Fund (Fund 5AZ0) to be used exclusively for payroll. As Table 1 shows, the executive recommends funding of \$12.2 million in both FY 2014 and FY 2015, a 2.0% reduction compared to estimated FY 2013 spending of \$12.4 million on agency payroll.

Table 1. Executive Budget Recommendations by Fund Group, FY 2014-FY 2015					
Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
Agency Fund Group	\$12,405,084	\$12,156,982	-2.0%	\$12,156,982	0.0%
<b>TOTAL</b>	<b>\$12,405,084</b>	<b>\$12,156,982</b>	<b>-2.0%</b>	<b>\$12,156,982</b>	<b>0.0%</b>

\*FY 2013 figures represent estimated expenditures.

Chart 1 illustrates how OHFA's payroll appropriations would be allocated between program and program management functions, although there may be some adjustments required under the executive proposal. Overall, the program management payroll makes up 36.7% of budgeted amounts. A further 20.6% would be allocated to payroll for staff assigned to foreclosure prevention efforts under the federal Hardest-Hit Fund (HHF). The remaining 42.7% of payroll would be divided proportionally for payroll in OHFA's three program offices.

**Chart 1: Proposed Allocation of Payroll by Program, FY 2014-FY 2015**



**Staff Allocation**

OHFA currently has a staff of 155.7 full-time equivalent (FTE) employees. Of the total, 38 FTEs are limited-term project staff funded by federal dollars under HHF.

Excluding the HHF employees, the other 117.7 FTEs within OHFA are split among programs as follows: 66 FTEs are assigned to the three principal program areas (between 21.5 and 22.5 FTEs in each area), and 51.7 FTEs are assigned to functions within the program management area. The FY 2013 staff allocation by FTE is shown in Table 2 below.

Non-HHF Programs	66.0
Program Management	51.7
<b>Subtotal: Non-HHF Staff</b>	<b>117.7</b>
HHF-Funded Staff	38.0
<b>Total: All OHFA Staff</b>	<b>155.7</b>

## Agency Highlights

### Federal Hardest-Hit Fund – Save the Dream Ohio

In 2010, Ohio was awarded a total of \$570.4 million under the U.S. Treasury's Hardest-Hit Fund (HHF), an extension of the Troubled Asset Relief Program (TARP). The goal of the HHF initiative is to provide emergency funding for housing finance agencies in states that encountered high levels of economic distress as a result of the economic downturn. Specifically, Ohio's HHF funding is used to engage struggling homeowners in housing counseling and take steps to prevent foreclosure under an effort referred to as Save the Dream Ohio. The initiative is overseen by OHFA's Office of Homeownership. Under the program, OHFA works with HUD-approved housing counseling agencies in assisting homeowners who owe more in mortgage payments than their property is worth, or are in financial hardship as a result of unemployment, underemployment, or other economic conditions. Housing counselors help homeowners develop "Homeowner Action Plans" with the goal of averting foreclosure through (1) mortgage payment assistance, (2) loan modifications and principal reductions, (3) lien assistance, and (4) transitional assistance for homeowners who are unable to remain in their homes. The federal funding period runs through calendar year 2017. Of the \$570.4 million available, so far approximately \$105.0 million has been distributed on behalf of around 8,800 homeowners.

In February 2013, OHFA announced expansions of both program eligibility requirements and assistance available. Under the new terms, the highest amount of annual household income is \$112,375, and the maximum benefit per household was increased from \$25,000 to \$35,000. OHFA is permitted to use up to 2.8% of its award for administrative costs, accounted for in the executive proposal, and have hired 38 limited term employees to implement the HHF/Save the Dream Ohio initiative. As mentioned previously, the federally funded HHF employees account for approximately one-fifth of

OHFA's payroll budget, or approximately \$2.5 million in FY 2014 and \$2.6 million in FY 2015. The payroll for all other OHFA employees is supported by program fees and charges deposited into Fund 5AZ0.

### **Performance Audit and Housing Study Committee**

OHFA was selected as one of the four state agencies to undergo a performance audit in the FY 2012-FY 2013 biennium as required by S.B. 4 of the 129th General Assembly. The audit was completed in September 2012 and made recommendations to help improve the agency's management and administration of housing programs. OHFA has implemented several of the recommendations and is in progress of completing the remaining recommendations. For example, the audit included a proposal that OHFA's annual report and annual plan both coincide over the same timeframe, instead of the former being published by state fiscal year (July-June) and the other by calendar year.

In addition to the performance audit, OHFA testified before the Housing Study Committee, an ad hoc committee created by H.B. 153 of the 129th General Assembly, the main operating budget act for the FY 2012-FY 2013 biennium. The Committee was established to study housing issues, and specifically set out to form a comprehensive review of the policies and results of OHFA and its programs. At the conclusion of hearings, the Committee chair published a report recommending such actions as achieving objectivity, consistency, and transparency in OHFA's selection of housing projects and updating statutes to ensure efficiency within the organization.

### **Ohio Housing Trust Fund Allocations**

The Ohio Housing Trust Fund (OHTF) is administered by the Ohio Development Services Agency (ODSA) and funded through county recordation fees. While OHFA does not receive direct OHTF funding in the executive proposal, it receives an allocation from the fund each year that is transferred from ODSA for the Housing Development Assistance Program (HDAP), which provides financing for eligible housing projects to expand, improve, and preserve the supply of quality, low-cost housing for low- and moderate-income renters. OHTF moneys fund projects that serve households with incomes less than 50% of the median income of the project area, with a preference given to projects serving those with incomes less than 35% of the median per HUD guidelines. According to the ODSA's Housing Trust Fund Annual Report for FY 2012, OHFA used approximately \$17.6 million from the OHTF to fund 34 HDAP projects. This constituted 36.2% of OHTF spending in FY 2012, which totaled just under \$48.5 million. Under the executive proposal for FY 2014 and FY 2015, ODSA receives appropriations of \$53 million in each fiscal year for the OHTF.

## ANALYSIS OF EXECUTIVE PROPOSAL

Appropriations made in the main operating budget fund only OHFA's payroll and fringe benefits for staff. The executive proposal reduces OHFA's payroll budget 2.0% compared to estimated FY 2013 payroll costs of just under \$12.2 million. As a result of this OHFA has suggested that a decrease of five or six FTEs is possible in FY 2015.

Governor's Recommended Amounts for the Ohio Housing Finance Agency				
Fund	ALI and Name		FY 2014	FY 2015
<b>Agency Fund Group</b>				
5AZ0	997601	Housing Finance Agency Personal Services	\$12,156,982	\$12,156,982
<b>Total Funding: Ohio Housing Finance Agency</b>			<b>\$12,156,982</b>	<b>\$12,156,982</b>

### Housing Finance Agency Personal Services (997601)

This line item covers the costs of payroll and fringe benefits for the staff of the Ohio Housing Finance Agency. These costs are spread across three program areas and the agency's program management offices. The executive recommends approximately \$12.2 million in both FY 2014 and FY 2015 for payroll purposes.

#### Homeownership

The Homeownership Office is currently comprised of around 22.5 OHFA-funded FTE positions and 38 HHF-funded staff. Overall, between the HHF staff and the other employees in this area, the Homeownership Program staff accounts for 34.8% of the projected agency payroll over the FY 2014-FY 2015 biennium. The Office is responsible for managing programs that provide homeownership opportunities to low- and moderate-income Ohioans, including the First-Time Homebuyer Program, which offers low-interest, fixed-rate mortgages to qualifying buyers through partnerships with 85 Ohio financial institutions. These loans may be supplemented with down payment assistance grants. OHFA offers programs targeted to specific populations, such as the Ohio Heroes Program, which offers reduced fixed-rate mortgages for teachers, active and retired military personnel, first responders, and health care workers, and the Grants for Grads Program, which offers down payment assistance to eligible college graduates. The loans and down payment assistance grants under the First-Time Homebuyer Program rely on the proceeds of housing revenue bonds issued by OHFA. The Homeownership Office also provides services such as homeownership counseling, foreclosure mitigation counseling, rescue loans, and Target Area Loans to homebuyers in distressed areas of the state. The Office also runs the Mortgage Credit Certificate Program, which offers tax credits to qualifying first-time homebuyers based on the amount of mortgage interest that must be paid.

In CY 2012, OHFA closed over 3,600 First-Time Homebuyer loans, assisted almost 2,700 homeowners with housing counseling services, issued Mortgage Credit Certificates to 297 homebuyers, and referred over 9,600 homeowners to housing counseling agencies through the HHF-funded Save the Dream Ohio Program.

### **Planning, Preservation, and Development**

OHFA estimates that payroll expenses under the Office of Planning, Preservation, and Development will make up around 14.0% of the overall payroll budget. The Office is charged with increasing the number of affordable multifamily rental housing units in Ohio through a variety of funding sources including tax credits, tax-exempt bond revenue, federal HOME Investment Partnership funds from the U.S. Department of Housing and Urban Development (HUD), the Ohio Housing Trust Fund, and other sources. Programs in the Office of Planning, Preservation, and Development include the Community Housing Development Organization grant program, funded by federal HOME dollars, and the Housing Development Assistance Program, which is funded by Ohio Housing Trust Fund dollars. HOME funds and OHTF funds are both transferred to OHFA via the Ohio Development Services Agency. The Office also makes the federal Housing Tax Credit available to developers who develop properties containing affordable units.

### **Program Compliance**

The Program Compliance Office payroll will consist of approximately 14.0% of the overall payroll budget within OHFA. Program Compliance is responsible for monitoring properties under various state and federal housing regulations, including units under the Housing Tax Credit Program, Housing Development Assistance Program, multifamily bond-financed units, and HUD Section 8 projects. Program Compliance Office staff are organized into teams based on regions in order to provide more effective service based on the needs of constituents.

### **Program Management**

Program Management encompasses OHFA's central administrative and program management functions, currently consisting of 51.7 FTEs. In addition, Board member expenses account for another 0.4 FTEs. OHFA projects a budget of about 37.0% of total payroll for Program Management. The eight suboffices within this area include the following: (1) Executive Director, (2) Administration, (3) Affordable Housing Research and Strategic Planning, (4) Information Technology, (5) Communications and Marketing, (6) Legal Affairs, (7) Internal Audit, and (8) Finance. Of these, the Office of Finance has the largest staff. It is responsible for monitoring the agency's outstanding bonds, managing relationships with lending institutions, and servicing loans.

# Ohio Housing Finance Agency

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## State Special Revenue Fund Group

### 5AZ0 997601 Housing Finance Agency Personal Services

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$9,465,581	\$10,436,197	\$12,084,654	\$12,405,084	<b>\$12,156,982</b>	<b>\$12,156,982</b>
	10.3%	15.8%	2.7%	<b>-2.0%</b>	<b>0.0%</b>

**Source:** State Special Revenue Fund Group: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the agency, including program fees, administrative fees, and fees on the application, reservation, and servicing of loans; federal dollars for the personnel costs of Federal Hardest Hit Fund programs

**Legal Basis:** ORC 175.051; Section 303.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established in Am. Sub. H.B. 431 of the 125th G.A.)

**Purpose:** Moneys in this line item cover payroll and fringe benefit expenses for employees of the Ohio Housing Finance Agency. Other agency operating expenses, such as equipment costs and rental payments, and all program subsidy expenditures are not expended from this line item, but are supported through other agency accounts that are not appropriated by the General Assembly.

# FY 2014 - FY 2015 Introduced Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>HFA Ohio Housing Finance Agency</b>								
5AZ0	997601	Housing Finance Agency Personal Services	\$ 12,084,654	\$ 12,405,084	\$ 12,156,982	-2.00%	\$ 12,156,982	0.00%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 12,084,654</b>	<b>\$ 12,405,084</b>	<b>\$ 12,156,982</b>	<b>-2.00%</b>	<b>\$ 12,156,982</b>	<b>0.00%</b>
<b>Ohio Housing Finance Agency Total</b>			<b>\$ 12,084,654</b>	<b>\$ 12,405,084</b>	<b>\$ 12,156,982</b>	<b>-2.00%</b>	<b>\$ 12,156,982</b>	<b>0.00%</b>