

LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Housing Finance Agency

Mark Harris, Jr., Budget Analyst
Legislative Service Commission

February 2015

TABLE OF CONTENTS

OVERVIEW	1
Agency Overview	1
Appropriation Overview	1
Payroll Funding.....	1
Staff Allocation.....	3
Agency Highlights	3
Federal Hardest-Hit Fund – Save the Dream Ohio.....	3
Ohio Housing Trust Fund Allocations	4
ANALYSIS OF EXECUTIVE PROPOSAL	5
Housing Finance Agency Personal Services (997601)	5
Homeownership.....	5
Planning, Preservation, and Development	6
Program Compliance.....	6
Program Management.....	6

ATTACHMENTS:

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

Ohio Housing Finance Agency

- Appropriations are for payroll only
- The executive recommends \$12.1 million in FY 2016 and \$12.2 million in FY 2017
- Federal Hardest-Hit Fund winds down by close of FY 2017

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

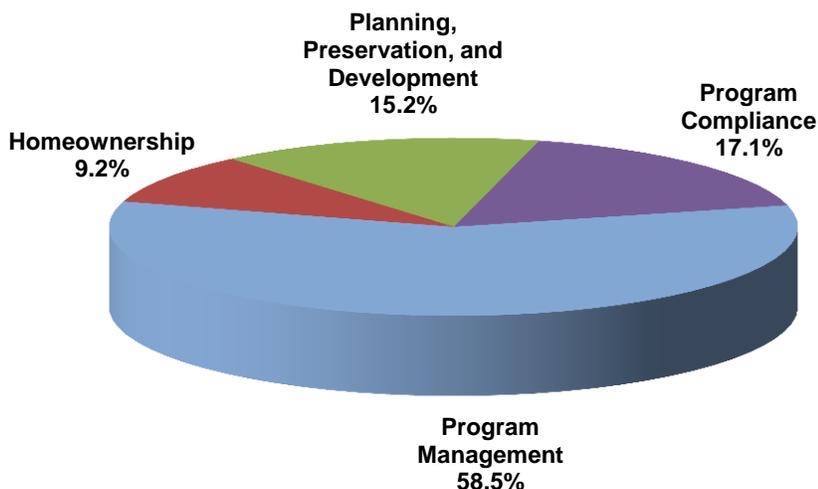
Ohio Housing Finance Agency Operating Expenses Fund (Fund 5AZ0) to be used exclusively for payroll. As Table 1 shows, the executive recommends funding of \$12.1 million in FY 2016 and \$12.2 million in FY 2017, which represents a 2.9% reduction compared to estimated FY 2015 expenditures followed by an increase of 0.5% in FY 2017.

Table 1. Executive Budget Recommendations by Fund Group, FY 2016-FY 2017					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Dedicated Purpose	\$12,477,665	\$12,111,500	-2.9%	\$12,176,700	0.5%
TOTAL	\$12,477,665	\$12,111,500	-2.9%	\$12,176,700	0.5%

*FY 2015 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 58.5% of budgeted amounts. A further 17.1% is allocated to payroll for program compliance staff; 15.2% for planning, preservation, and development; and the remaining 9.2% for homeownership programs.

Chart 1: Proposed Allocation of Payroll by Program, FY 2016-FY 2017



Staff Allocation

OHFA currently has a staff of 154 full-time equivalent (FTE) employees. Of the total, 37 FTEs are limited-term project staff funded by federal dollars under the federal Hardest-Hit Fund (HHF). Excluding the HHF employees, the other 115.3 FTEs within OHFA are split among programs as follows: 62.5 FTEs are assigned to the three principal program areas (between 20 and 21.5 FTEs in each area), and 54.5 FTEs are assigned to functions within the program management area. The FY 2015 staff allocation by FTE is shown in Table 2 below.

Non-HHF Programs	62.5
Program Management	54.5
Subtotal: Non-HHF Staff	117.0
HHF-Funded Staff	37.0
Total: All OHFA Staff	154.0

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 to 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 \$440 million has been disbursed or reserved for disbursement on behalf of approximately 24,000 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. In addition, \$60 million of the funds available were allocated towards the Neighborhood Initiative Program, the purpose of which is to aid in the elimination of blighted and abandoned residential properties in order to stabilize surrounding home values. As a result of demand for these funds, applications for the HHF initiative were closed in August 2014 and OHFA has begun to wind down the program.

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 2014, OHFA used approximately \$21.3 million from the OHTF to fund 39 HDAP projects in 29 counties.

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 2.9% compared to estimated FY 2015 payroll costs of just under \$12.5 million. As a result of this, OHFA has suggested that a pay freeze is likely, although non-HHF staffing levels should be maintained.

Governor's Recommended Amounts for the Ohio Housing Finance Agency				
Fund	ALI and Name		FY 2016	FY 2017
Agency Fund Group				
5AZ0	997601	Housing Finance Agency Personal Services	\$12,111,500	\$12,176,700
Total Funding: Ohio Housing Finance Agency			\$12,111,500	\$12,176,700

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 slightly more than \$12.1 million in FY 2016 and just under \$12.2 million in FY 2017 for payroll purposes.

Homeownership

The Homeownership Office is currently comprised of 20 OHFA-funded FTE positions and 37 HHF-funded staff; this is expected to decline to no more than 35 total FTE positions by FY 2017. Overall, between the HHF staff and the other employees in this area, the Homeownership Program staff accounts for 9.2% of the projected Agency payroll over the FY 2016-FY 2017 biennium because of the winding down of HHF. 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 FY 2014, OHFA closed 2,550 First-Time Homebuyer loans, assisted almost 3,000 homeowners with housing counseling services, and provided financial assistance to nearly 8,800 homeowners to prevent foreclosure 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 15.2% 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. During the biennium, it funded more than 4,500 units of affordable rental housing and partnered with the Development Services Agency for a one-time effort to fund much-needed construction of homeless shelters in Ohio's eight largest cities.

Program Compliance

The Program Compliance Office payroll will consist of approximately 17.1% of the overall payroll budget within OHFA, as staff rises from 22.5 FTE positions to 25.5. 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 54.5 FTEs. In addition, board member expenses account for another 0.4 FTEs. OHFA projects a budget of about 58.5% of total payroll for Program Management. The eight sub-offices 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.

HFA.docx/jc

Ohio Housing Finance Agency

Dedicated Purpose Fund Group

5AZ0 997601 Housing Finance Agency Personal Services

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$12,084,654	\$12,040,379	\$11,586,288	\$12,477,665	\$12,111,500	\$12,176,700
	-0.4%	-3.8%	7.7%	-2.9%	0.5%

Source: Dedicated Purpose Fund Group: Periodic transfers of program fees, administrative fees, and loan application, reservation, and servicing fees that apply to OHFA's housing assistance programs; federal dollars under the U.S. Department of the Treasury's Hardest Hit Fund initiative

Legal Basis: ORC 175.051; Section 295.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established in Am. Sub. H.B. 431 of the 125th G.A.)

Purpose: This line item covers 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 supported through accounts that are not subject to appropriation by the Ohio General Assembly.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
HFA Ohio Housing Finance Agency								
5AZ0	997601	Housing Finance Agency Personal Services	\$ 11,586,288	\$ 12,477,665	\$ 12,111,500	-2.93%	\$ 12,176,700	0.54%
Dedicated Purpose Fund Group Total			\$ 11,586,288	\$ 12,477,665	\$ 12,111,500	-2.93%	\$ 12,176,700	0.54%
Ohio Housing Finance Agency Total			\$ 11,586,288	\$ 12,477,665	\$ 12,111,500	-2.93%	\$ 12,176,700	0.54%