

Date: February 10, 2008

To: Employees of Oregon Housing and  
Community Services

From: Victor Merced

Re: Director's Bulletin – Fee Passes Ways and Means,  
OHCS Budget Realities

Great news from the Legislature. The proposed Document Recording Fee, House Bill 2436, supporting affordable housing in Oregon, has passed the Joint Ways and Means Committee.

A floor vote in the House could come as early as Feb. 17, just a week away. House passage would lead to Senate deliberation, and if successful there, consideration by the governor.

**Document Recording Fee.** HB 2436, introduced at the request of the Oregon Housing Alliance, increases document recording fees by \$15.

It dedicates revenue to affordable housing development, home-ownership assistance, increasing home ownership among minority populations, improving the capacity of local partners to develop affordable housing, and the emergency housing account, which addresses homelessness problems.

Now, for news closer to OHCS itself, we are anticipating significant budget hits next biennium, as you know well, and you undoubtedly also know of the troubling reports about the shortfall Oregon government will face in what is left of the current biennium.

**Staff safe now.** To this, let me be clear: We expect no staff cuts at OHCS in the remaining months of 2007-09. We have balanced our budget. But there may be program cuts soon.

Looking briefly ahead to the next biennium, our agency's reduction of 12 positions, that has been broadly discussed, is not directly related to the potential General Fund reductions we are facing in the current biennium or in the next. The position cuts relate to the downturn in the financial markets that has trumped our earning power.

OHCS is primarily self-supporting and in some arenas a money-making organization. A quantity of the money we make supports programs and activities that do not have sufficient funds. Right now, we simply do not have enough money to cover all of the agency's costs.

Anticipating this, OHCS requested General Fund dollars to pay for positions and other costs we could not afford in the 2009-11 biennium, beginning next July. Given the competing forces for General Fund monies and the diminishing amounts coming in to state coffers, Governor Kulongoski was unable to grant the OHCS request.

The economic slump – with Oregon's unemployment in December at 9 percent and some counties well above that – has handed the state dramatic declines in tax revenues. And each time the state reports its economic forecast, the news gets worse. This disheartening economic reality means Oregon does not have enough money coming in to cover its current budget.

Governor Kulongoski took action last December, making agency cuts for the current biennium. When making cuts, the governor is constrained to applying them across the board – not piecemeal.

The OHCS General Fund appropriation, at the governor's direction, was then unscheduled (a technical term for the type of reduction the governor can make) by 1.2 percent for the current biennium. This reduction did not impact any of our administrative expenditures.

**In the wings: 5 percent cut.** The Legislature, through the Legislative Fiscal Office, has asked agencies to identify how they would reduce costs by another 5 percent in their General Fund allocations for the current biennium.

OHCS has done that, and we expect the Legislature to begin looking at our reductions, along with those of other agencies, very soon. The Legislature, by the way, has already voted for cuts reducing its own costs by 5 percent, including a salary freeze, this biennium.

Our department has had contingency plans in place for administrative cuts should they become necessary. In fact, the administrative restrictions are in part necessary to better prepare OHCS for the fiscal uncertainties we're facing.

While the impacts to the operations of the department may be minimal, the effect these reductions will have to our "sub-recipients" and the vulnerable Oregonians they serve could be significant. OHCS staff members are working with agency partners who may be hit hard by reduced funding.

The 5 percent cut would be in the neighborhood of \$1.3 million at OHCS. It would affect program areas that strike at the heart of services for clients: preservation gap financing, homeownership assistance, emergency housing assistance and homeless assistance.

These proposed reductions, if implemented, would have a minimal impact on funds available for our operations in the current

biennium. So, if OHCS must take the 5 percent reductions now, it will be to those program areas mentioned above – as unfortunate as that is – and probably not to our excellent staff.

*True individual freedom cannot exist without economic security and independence. People who are hungry and out of a job are the stuff of which dictatorships are made.*

~ Franklin D. Roosevelt

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