AUDIT AND FINANCE COMMITTEE MEETING BOOK OF JULY 12, 2018

Sharon Thomason, Chair
Paul Braden, Member
Asusena Reséndiz, Member
Leo Vasquez, III, Member

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT AND FINANCE COMMITTEE MEETING

AGENDA
7:30 AM
JULY 12, 2018

JOHN H. REAGAN BUILDING
JHR 140, 105 W 15TH STREET
AUSTIN, TEXAS 78701

CALL TO ORDER, ROLL CALL	**Sharon Thomason, Chair**
CERTIFICATION OF QUORUM	**Sharon Thomason, Chair**

The Audit and Finance Committee of the Governing Board of the Texas Department of Housing and Community Affairs ("TDHCA") will meet to consider and may act on any of the following:

ACTION ITEMS:

ITEM 1: Presentation, discussion, and possible action regarding items for inclusion in Legislative Appropriations Request for fiscal years 2020-21	**Michael Lyttle** Director of External Affairs

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Tex. Gov't Code, Chapter 551 and under Tex. Gov't Code, §2306.039.

1. Pursuant to Tex. Gov't Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.
2. Pursuant to Tex. Gov't Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.
3. Pursuant to Tex. Gov't Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551.
4. Pursuant to Tex. Gov't Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste, or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Mark Scott, TDHCA Internal Audit Director, 221 East 11th Street Austin, Texas 78701-2410, 512.475-3813 and request the information.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Terri Roeber, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five (5) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least five (5) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE AUDIT COMMITTEE OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.

ACTION ITEMS

1a

AUDIT AND FINANCE COMMMITTEE ACTION ITEM

EXTERNAL AFFAIRS

JULY 12, 2018

Presentation, discussion, and possible action regarding items for inclusion in Legislative Appropriations Request ("LAR") for fiscal years 2020-21

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs ("TDHCA" or "the Department" or "the agency") must submit to the Office of the Governor ("OOG") and the Legislative Budget Board ("LBB") an LAR identifying its funding needs for the 2020-21 biennium;

WHEREAS, on June 25, 2018, the OOG and the LBB jointly released instructions for the 2020-21 LAR and issued a policy letter calling on state agencies to include within their 2020-21 LAR a supplemental schedule detailing options for a 10% reduction in each agency's baseline General Revenue in 2.5% increments;

WHEREAS, Financial Administration has developed and the Board has approved an Operating Budget for State Fiscal Year 2019 that will serve as the basis of the 2020-21 LAR;

WHEREAS, on May 24, 2018, the Board approved changes in TDHCA budget riders and a capital budget to include in the 2020-21 LAR; and

WHEREAS Executive Staff has reviewed anticipated needs and resources and made appropriate recommendations;

NOW, therefore, it is hereby

RESOLVED, that the policy elements for inclusion in the Department's LAR for fiscal years 2020-21, as presented to this meeting, are hereby approved; and

FURTHER RESOLVED, staff is authorized to submit the LAR for 2020-21 with policy elements as presented and approved in this meeting to the OOG and the LBB no later than August 3, 2018, the date provided in the instructions posted on the LBB website on June 25, 2018, and in connection therewith to make any changes necessitated by additional direction or guidance from the OOG or the LBB to report such changes to the Board.

BACKGROUND

During the Board meeting of May 24, 2018, staff provided background on the LAR process and timeline and requested Board approval of TDHCA budget rider changes and the 2020-21 Capital

Budget for inclusion in the 2020-21 LAR. On June 25, 2018, the OOG and LBB released a policy letter to state agencies along with the LAR instructions. The policy letter directed agencies to include within their 2020-21 LAR a supplemental schedule detailing options for a 10% reduction in each agency's baseline General Revenue using 2.5% reduction increments. The submission date for TDHCA as found in the instructions is August 3, 2018. TDHCA is seeking approval of the 10% reduction options schedule and the administrative statement that serves as an introduction to the LAR and which explains the Department's approach in developing the schedule.

Policy Elements for Board Approval During Meeting of July 12, 2018

Administrator's Statement

The Administrator's Statement serves as an introduction to the agency for policymakers. It provides an overview of the Department's programs and services, identifies significant externalities and challenges affecting the Department, and provides additional explanation of changes or requests contained in the LAR. As required in the LAR instructions, the Administrator's Statement explains the Department's approach to the 10% reduction options schedule and addresses specific considerations such as the Department's participation in the Centralized Accounting and Payroll/Personnel System ("CAPPS").

Ten Percent Reduction Options Schedule

The basis for an agency's General Revenue reduction is the amount of General Revenue that the agency would receive if its funding for the coming biennium were level with actual funding utilized during the previous biennium; this is determined through the OOG and LBB's Base Reconciliation process. TDHCA submitted its Base Reconciliation on May 19, 2018, to the OOG and the LBB for approval. The Department's base General Revenue is $24.4 million over the biennium. The majority of this funding is associated with the Housing Trust Fund ($10.4 million) and the Homeless Housing and Services Program ($9.9 million). The next largest source of General Revenue is Earned Federal Funds ($3.7 million), which are those federal funds that can be applied to indirect administrative services in support of federal activities. These are regarded as state General Revenue under the General Appropriations Act. The remaining funds include support for the Housing and Health Services Coordination Council (approximately $168,600 over the biennium), appropriation authority for fees collected in association with licensing and inspection of migrant labor housing facilities (up to $20,500), and appropriation authority for Texas Online fees (an estimated $38,240).

The TDHCA 10% reduction target for the biennium will be $2.4 million; this will be presented as four separate increments of $608,850 each. In developing the recommended schedule, staff sought to reduce impact on families and individuals benefitting from TDHCA programs while ensuring that statutorily required activities as well as activities critical to the agency's effectively carrying out its mission are preserved. Areas excluded from reductions in order to maintain sufficient funds for continuity of services included the Housing and Health Services Coordination Council funding (which had been reduced in the previous session and now provides only sufficient funding for staff support and Council travel), migrant labor housing facility licensing and inspection fees, and Earned Federal Funds applied to Information Resource Technology and Operating Support. It was also estimated that Earned Federal Funds applied to Central Administration could be reduced and still provide sufficient support for federal funds. Other considerations included a statutory requirement to provide at least $3 million per year for the Texas Bootstrap Program, which effectively precludes the program from reductions, and the recognition that the Texas Bootstrap Program and the Homeless Housing and Services Program ("HHSP") are both statutorily authorized and therefore recognized by staff as a higher priority than activities permitted but not required by statute.

In light of these considerations, staff recommends making a $98,878 reduction to Central Administration costs funded through Earned Federal Funds before making any program funding reductions. This would reduce funds budgeted for professional fees, travel, and other administrative costs. TDHCA believes that the remaining Earned Federal Funds would be adequate to provide indirect administrative support to TDHCA's federal funds. As this figure does not allow the agency to achieve the full $608,850 needed to meet the first 2.5% percent reduction increment, staff recommends splitting the remaining needed reduction between the Amy Young Barrier Removal Program ("AYBR"), which is funded through the Housing Trust Fund ("HTF"), and HHSP on a pro-rata basis, i.e., the reduction for each program will be based on the proportion each program reflects of their combined total funding. This results in a 28% of the reduction being taken from AYBR and a 72% of the reduction being taken from HHSP. Because AYBR is an HTF activity rather than a statutory program, the first reduction would be taken from AYBR. It is estimated that that resulting $142,792 reduction in AYBR would result in approximately six fewer households receiving barrier removal assistance while the $367,180 reduction in HHSP would result in approximately 471 persons not receiving homelessness or homelessness prevention services. Staff recommends that the remaining three 2.5% increments be taken from AYBR and HHSP on the same pro-rata basis. It is estimated that the $170,478 reduction to AYBR would result in seven fewer households served through that program and the $438,372 reduction from HHSP would result in 562 fewer persons receiving homelessness or homelessness prevention assistance for each additional 2.5% increment. (Note: For the fourth increment, HHSP would be reduced by a slightly lower figure, $438,370, in order to achieve the Department's specific GR target of $2,435,397.) The program impact of the full 10% reduction would be 27 fewer households served through AYBR and 2,157 fewer persons served through HHSP. As requested in the Instructions, each reduction is listed by priority in the reduction schedule resulting in nine total items. Each of these reductions is spread evenly between each year of the biennium. (See attached "Recommended 10 Percent Biennial Base Reduction Options Schedule.")

Key Milestones in 2020-21 LAR Development, Budget Process

TDHCA Budget Structure and Performance Measure Change Request	*Submitted to OOG and LBB on March 29, 2018*
TDHCA Base Reconciliation (Determines amount of General Revenue that would constitute level funding from current biennium)	*Submitted to OOG and LBB on May 17, 2018*
Board approval of Strategic Plan	*May 24, 2018*
Board approval of TDHCA Budget Rider Changes and Capital Budget for inclusion in 2020-21 LAR	*May 24, 2018*

TDHCA Customer Service Report	*Submitted to OOG and LBB on June 1, 2018*
Strategic Plan	*Submitted to OOG and LBB on June 8, 2018*
Release of SFY 2018-19 LAR Instructions and issuance of Policy Letter	*June 25, 2018*
Board approval of 2019 Operating Budget (Serves as basis for 2020-21 budget reflected in LAR)	*June 28, 2018*
Submission Date for TDHCA Fiscal Years ("FY") 2020-21 LAR and Biennial Operating Plan ("BOP")	*August 3, 2019*
OOG and LBB hearings on TDHCA budget	*August or September*

Attachments:

- OOG and LBB Policy Letter
- Proposed Administrator's Statement
- Proposed 10% Biennial Base Reduction Options Schedule

Legislative Budget Board
Robert E. Johnson Bldg.
1501 N. Congress Avenue, 5th Floor
Austin, TX 78701
(512) 463-1200

Governor's Office of Budget and Policy
1100 San Jacinto, 4th Floor
Austin, TX 78701
(512) 463-1778

MEMORANDUM

June 22, 2018

TO: State Agency Board/Commission Chairs
State Agency Heads/Executive Directors
Appellate Court Justices and Judges
Chancellors, Presidents, and Directors of Institutions and Agencies of Higher Education

An initial step in developing the 2020-21 biennial budget for the State of Texas is submission of agency and institution Legislative Appropriations Requests. Detailed instructions for the submission are posted on the websites of the Legislative Budget Board and the Office of the Governor, including a staggered schedule of submission dates.

It is imperative that every state agency engage in a thorough review of each program and budget strategy and determine the value of each dollar spent. As a starting point for budget deliberations, an agency's baseline request for General Revenue Funds and General Revenue-Dedicated Funds may not exceed the sum of amounts expended in fiscal year 2018 and budgeted in fiscal year 2019. While the state's economic landscape is positive and a balance is projected to accrue in the treasury, agencies are directed to be vigilant in their spending and continue to be responsible stewards of state resources. Agencies must also submit a supplemental schedule detailing how they would reduce the baseline request by an additional 10 percent (in 2.5 percent increments) in General Revenue and General Revenue Dedicated Funds.

Exceptions to the baseline request limitation include amounts necessary to:

- maintain funding for Foundation School Program under current law;
- maintain public safety resources in the border region to help secure Texas;
- satisfy debt service requirements for bond authorizations;
- maintain funding at fiscal year 2019 budgeted levels plus amounts necessary to cover the impact of payroll growth for state pension systems and employee group benefits (not including payroll contributions made by state agencies and institutions of higher education

for retirement and group health insurance), though group benefit modifications may be considered;

- maintain funding for Child Protective Services;
- maintain funding for behavioral health services programs; and
- maintain current benefits and eligibility in Medicaid programs, the Children's Health Insurance Program, the foster care programs, the adoption subsidies programs and the permanency care assistance program. Baseline requests for these programs should include amounts sufficient for projected caseload growth.

Specific questions with respect to the treatment of the above items should be directed via email to both your Governor's Office and LBB analyst.

Essential funding requests that exceed the baseline spending level may not be included in the baseline request, but these additional funding requests may be submitted as Exceptional Items. Agencies that request Exceptional Items should be prepared to identify lower-priority programs or other cost savings to help offset the increased costs associated with their requests.

Each LAR is required to include information providing the budget request by program, as outlined in the instructions, and agencies shall continue to provide information for the State Budget by Program application. Additionally, at the direction of either the Legislative Budget Board or the Governor's Office, you are required to submit additional agency detail as that office deems necessary to conduct its analysis, including any requested zero-based budget information.

Thank you for your service to the state of Texas, and we look forward to working with you in preparation for the 86th Legislative Session.

Sincerely,

Sarah Hicks

Ursula Parks
Director
Legislative Budget Board

Sarah Hicks
Budget Director
Governor's Office, Budget and Policy Division

DRAFT
Administrator's Statement

The Texas Department of Housing and Community Affairs ("TDHCA") administers funding or other assistance for affordable housing development, homeownership opportunities, rental assistance, weatherization, and community-based services with the help of for-profits, nonprofits, and local governments. This Legislative Appropriations Request ("LAR") involves no significant change in the way TDHCA carries out its assigned duties. TDHCA has instituted a rigorous review process for use in rule development to ensure that its rules comply fully with applicable state and federal statutes and federal regulations but that they do not exceed those requirements. TDHCA is also undergoing a focused process to make its rules and programs more readily accessible and less burdensome to the private sector. The scope of TDHCA's services and those they serve have not materially changed over the course of the 2018-2019 biennium, but demand for those services generally exceeds available resources. In order to maximize the impact of its resources, therefore, TDHCA has developed strong public-private partnerships to leverage private sector expertise and funding. When pursuit of such partnerships implicates procurement requirements, TDHCA uses a meticulous "no exceptions" approach to procurement. TDHCA is currently undergoing efforts to harden its information security and to enhance key systems to provide for detailed and current benefit tracking at the client level as well as the subrecipient level. Recent federal legislation has expanded the resources TDHCA has to allocate under the low income housing tax credit program. TDHCA also has in its 2018 qualified application plan incentives for developments that are "ready to proceed" in the coastal areas impacted by Hurricane Harvey.

TDHCA Programs and Services

TDHCA administers a variety of housing assistance programs to serve Texans with incomes ranging from extremely low to moderate, community based programs serving primarily Texans with extremely low to low incomes, and the licensing, inspection, and enforcement activity relating to migrant labor housing. TDHCA currently relies on its Manufactured Housing Division to provide for the required inspections and issuance of licenses under that program, but TDHCA is working to broaden the reach of that program and enhance efforts to protect migrant farmworkers' living conditions. It is also working closely with the Texas Workforce Commission to coordinate these efforts with the Workforce Commission's administration of the federal H2-A visa program, under which it inspects living quarters for farmworkers coming to Texas under federal visas. The majority of programs the Department administers are federal, but it administers two activities funded with appropriated General Revenue: a housing trust fund that supports self-help housing and making homes accessible for persons with disabilities and a homeless housing and services program which addresses issues of homelessness in large Texas cities. The primary bodies of state law governing the Department's housing and community services activities are Texas Government Code, Chapters 2306, 2105, and 1372.

The provision of housing related assistance is carried out through a variety of financing mechanisms, including the issuance of federal tax credits which are, through a process commonly referred to as syndication, converted to cash to be used in developing affordable housing; issuance of tax exempt private activity bonds; awards of funds through loans or grants; origination and sale of single family home loans; and the provision of rental assistance or vouchers. TDHCA assistance in the financing of multifamily development is typically leveraged with private sector financing, and the equity provided by tax credits promotes creation of prudent lending opportunities for Texas financial institutions. New home ownership has historically been financed chiefly through issuance of tax exempt bonds, but in recent years the Department has diversified its strategy to utilize bonds, packaging and sale of mortgage backed securities, and the issuance of mortgage credit certificates. In close coordination with the Texas Comptroller of Public Accounts, the Department continues to work aggressively to reduce variable rate debt and its attendant need for liquidity support, currently provided by the Comptroller. Other entities created or authorized by state law provide localized and statewide first time homebuyer mortgage loan products as well.

The provision of community based assistance is accomplished through distribution of funds, chiefly via formula, to a statewide network of entities that administer the Community Services Block Grant ("CSBG"), the Low Income Home Energy Assistance Program ("LIHEAP"), the Department of Energy Weatherization Assistance Program ("DOE WAP"), and, through competitive awards, the Emergency Solutions Grant ("ESG"). LIHEAP is used for two primary activities, providing utility bill assistance and providing weatherization. CSBG recipients typically leverage their CSBG funds to help access other funding sources and provide a range of services; this leveraging commonly includes such programs as Head Start, school lunch programs, medical service programs, and transportation programs. Many CSBG providers provide LIHEAP and DOE WAP. The General Revenue-funded Homeless Housing and Services Program is provided, again by formula, to the eight largest cities in

Texas to develop and run programs that they believe will be the most effective way for them to address local issues of homelessness. ESG is a federal program to prevent and address homelessness and is competitively awarded to local providers, often operating in groups of local partnerships and forming a part of the HUD-funded continuum of care.

Programmatic activities of the Department are monitored for compliance, including physical condition and regulatory compliance, by its Compliance Division. The scope of monitoring activity increases as new development occurs. For example the Department monitors more than 263,000 units of affordable housing and in recent years has added approximately 8,000 units each year. The complexity of the Compliance Division's duties has increased as well with the federal adoption of a comprehensive federal regulation on OMB requirements, the so-called Omnicircular, and expanded oversight requirements from different federal funding sources.

TDHCA staff may add language related to redirection of FTEs or Methods of Finance as warranted.

Increased Federal Funding, Federal Grant Management Protocols

Federal funding reflected in this LAR assumes that an almost 25 percent increase in federal funds which occurred between 2017 and 2018 as a result of the federal Consolidated Appropriations Act, 2018, will continue into the future biennium. The overall increase was approximately $49 million, most of which derived from increases to the Low Income Home Energy Assistance Program funding (a $38.2M increase) and the HOME Investment Partnerships ("HOME") Program (an $11.7M increase). It should be noted that in previous years, HOME funding had decreased over 40 percent. In light of this, it is possible that federal funding levels will return to 2017 levels or otherwise decrease. The fluctuation in funds primarily affects pass-through funding TDHCA provides to local government and nonprofits as TDHCA administrative costs have not been greatly affected.

Current federal grant management protocols (20 CFR 200) restrict the amount of time by which funds must be spent by tying expenditures to specific federal appropriations years. These protocols continue to present the risk that small amounts of the Department's federal funds may not be timely used and may be subject to federal recapture. This is especially true for housing activities given the difficulty of precisely estimating costs and construction timelines, especially HOME funds reserved by federal law for Community Housing Development Organizations ("CHDOs"). TDHCA HOME funds by state statute serve primarily rural communities, where there are limited CHDOs with capacity to administer these funds. TDHCA has made adjustments to its programs to minimize such potential losses, including performance benchmarks that will allow for rapid recommitment and expenditure of unutilized funds.

Changes to Budget Structure, Rider Changes

TDHCA requested a change to its budget structure in order to make its appropriations more transparent. The previous Housing Trust Fund ("HTF") strategy has been replaced by the new Texas Bootstrap Program – HTF Strategy and the Amy Young Barrier Removal – HTF Strategy. The Texas Bootstrap Program and the Amy Young Barrier Removal Program, both funded through the HTF, have strong stakeholder support. However, as they were both reflected in the HTF Strategy, policy-makers and stakeholders alike were not able to determine funding for each program based on the Department's appropriations. The new strategies address this issue.

Consistent with the budget structure changes, the Department has requested changes to HTF Riders 8 and 9 to ensure that current flow of HTF project funds to the HTF accounts within the Texas Treasury Safekeeping Trust continue as this has allowed for efficient administration of the both the Bootstrap and the Amy Young programs. TDHCA is requesting additional changes to Rider 9 to harmonize this with House Bill 1512, 85th Texas Legislature, Regular Session. TDHCA is also requesting a change to Rider 15 related to migrant labor housing facilities. The requested change would allow TDHCA to utilize all related inspection and licensing fees collected for the administration of this activity. This would afford the Department greater flexibility as it works with stakeholders to provide efficient oversight for this activity.

Currently TDHCA can utilize no more than $10,250 of these fees per year. Although current fees collections are of this order, it is possible that additional facilities requiring licensing will be identified, resulting in a need for increased inspection activity and related funding.

TDHCA General Revenue and Approach to Ten Percent Reduction Options Schedule

The basis for an agency's General Revenue ("GR") reduction is the amount of GR that the agency would receive if its funding for the coming biennium were level with actual funding utilized during the previous biennium; this is determined through the OOG and LBB's Base Reconciliation process. The Department's base GR is approximately $24.4 million over the 2020-21 biennium. The majority of this funding is associated with the Housing Trust Fund ($10.4 million) and the Homeless Housing and Services Program ($9.9 million). The next largest source of GR is Earned Federal Funds ($3.7 million), which are those federal funds that can be applied to indirect administrative services in support of federal activities. These are regarded as state GR under the General Appropriations Act. The remaining funds include support for the Housing and Health Services Coordination Council (approximately $168,600 over the biennium), appropriation authority for fees collected in association with licensing and inspection of migrant labor housing facilities (up to $20,500 over the biennium), and appropriation authority for Texas Online fees (an estimated $38,240 over the biennium).

The TDHCA 10% reduction target for the biennium will be $2.4 million; this will be presented as four separate increments of $608,850 each. In developing the recommended schedule, staff sought to reduce impact on families and individuals benefitting from TDHCA programs while ensuring that statutorily required activities as well as activities critical to the agency's effectively carrying out its mission are preserved. Areas excluded from reductions in order to maintain sufficient funds for continuity of services included the Housing and Health Services Coordination Council funding, that had been reduced in the previous session and now provides only sufficient funding for staff support and Council travel, migrant labor housing facility licensing and inspection fees, and Earned Federal Funds applied to Information Resource Technology and Operating Support. It was also estimated that Earned Federal Funds applied to Central Administration could be reduced and still provide sufficient support for federal funds. Other considerations included a statutory requirement to provide at least $3 million per year for the Texas Bootstrap Program, which effectively precludes the program from reductions, and the recognition that the Texas Bootstrap Program and the Homeless Housing and Services Program ("HHSP") are both statutorily authorized and therefore recognized by staff as a higher priority than activities permitted but not required by statute.

In light of these considerations, staff recommends making a $98,878 reduction to Central Administration costs funded through Earned Federal Funds before making any program funding reductions. This would reduce funds budgeted for professional fees, travel, and other administrative costs. TDHCA believes that the remaining Earned Federal Funds would be adequate to provide indirect administrative support to TDHCA's federal funds. As this figure does not allow the agency to achieve the full $608,850 needed to meet the first 2.5% percent reduction increment, staff recommends splitting the remaining needed reduction between the Amy Young Barrier Removal Program ("AYBR"), which is funded through the Housing Trust Fund ("HTF"), and HHSP on a pro-rata basis, i.e., the reduction for each program will be based on the proportion each program reflects of their combined total funding. This results in a 28% of the reduction being taken from AYBR and a 72% of the reduction being taken from HHSP. Because AYBR is an HTF activity rather than a statutory program, the first reduction would be taken from AYBR. It is estimated that that resulting $142,792 reduction in AYBR would result in approximately six fewer households receiving barrier removal assistance while the $367,180 reduction in HHSP would result in approximately 471 persons not receiving homelessness or homelessness prevention services. Staff recommends that the remaining three 2.5% increments be taken from AYBR and HHSP on the same pro-rata basis. It is estimated that the $170,478 reduction to AYBR would result in seven fewer households served through that program and the $438,372 reduction from HHSP would result in 562 fewer persons receiving homelessness or homelessness prevention assistance for each additional 2.5% increment. (Note: For the fourth increment, HHSP would be reduced by a slightly lower figure, $438,370, in order to achieve the Department's specific GR target of $2,435,397.) The program impact of the full 10% reduction would be 27 fewer households served through AYBR and 2,157 fewer persons served through HHSP. As requested in the Instructions, each reduction is listed by priority in the reduction schedule resulting in nine total items. Each of these reductions is spread evenly between each year of the biennium.

TDHCA Participation in Centralized Accounting and Payroll/Personnel System (CAPPS)

In the FY 2016-2017 biennium, TDHCA worked with the Office of the Comptroller of Public Accounts ("CPA") to complete a transition to CAPPS Human Resources as a CAPPS Central agency. TDHCA and CPA are currently engaged in a project to implement the latest version of CAPPS Financials at TDHCA, under the CAPPS Hub model. This project is the PeopleSoft Financials Upgrade project in TDHCA's FY 2018-2019 capital budget and is scheduled to be completed in April 2019.

Language regarding TDHCA's background check authority will be placed here

Texas Department of Housing and Community Affairs Governing Board

J.B. Goodwin, Chair (Austin) Term expires January 31, 2021.
Leslie Bingham-Escareño, Vice Chair (Brownsville) Term expires January 31, 2019.
Paul Braden (Dallas) Term expires January 31, 23
Asusena Reséndiz (Petersburg) Term expires January 31, 2019
Sharon Thomason (Wofforth) Term expires January 31, 2021
Leo Vasquez, III (Houston) Term expires January 31, 2023

The Manufactured Housing Division Administrative Statement will be added here.

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

Item Priority and Name/ Method of Financing	REVENUE LOSS 2020	2021	Biennial Total	REDUCTION AMOUNT 2020	2021	Biennial Total	PROGRAM AMOUNT 2020	2021	TARGET Biennial Total
1 Central Admin									
Category: Administrative - Operating Expenses									
Item Comment: Indirect administrative expenses in support of federal programs would be reduced such as Professional Services, Travel, and Other Expenses. (Reflects Earned Federal Funds)									
Strategy: 6-1-1 Central Administration									
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$49,439	$49,439	$98,878			
General Revenue Funds Total	**$0**	**$0**	**$0**	**$49,439**	**$49,439**	**$98,878**			
Item Total	**$0**	**$0**	**$0**	**$49,439**	**$49,439**	**$98,878**			
FTE Reductions (From FY 2020 and FY 2021 Base Request)									
2 Housing Trust Fund-Amy Young									
Category: Programs - Service Reductions (Contracted)									
Item Comment: 5.8 fewer households served									
Strategy: 1-1-4 Provide Funding through the Amy Young Barrier Removal (AYBR) - HTF									
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$71,396	$71,396	$142,792			

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
Item Priority and Name/ Method of Financing	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**
General Revenue Funds Total	**$0**	**$0**	**$0**	**$71,396**	**$71,396**	**$142,792**			
Item Total	**$0**	**$0**	**$0**	**$71,396**	**$71,396**	**$142,792**			

FTE Reductions (From FY 2020 and FY 2021 Base Request)

3 Poverty Related Funds-HHSP

Category: Programs - Service Reductions (Contracted)
Item Comment: 470.7 fewer persons served with Homeless Housing and Services Program

Strategy: 3-1-1 Administer Poverty-related Funds through a Network of Agencies

General Revenue Funds

1 General Revenue Fund	$0	$0	$0	$183,590	$183,590	$367,180
General Revenue Funds Total	**$0**	**$0**	**$0**	**$183,590**	**$183,590**	**$367,180**
Item Total	**$0**	**$0**	**$0**	**$183,590**	**$183,590**	**$367,180**

FTE Reductions (From FY 2020 and FY 2021 Base Request)

4 Housing Trust Fund-Amy Young

Category: Programs - Service Reductions (Contracted)
Item Comment: 7.0 fewer households served

Strategy: 1-1-4 Provide Funding through the Amy Young Barrier Removal (AYBR) - HTF

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

Item Priority and Name/ Method of Financing	REVENUE LOSS 2020	2021	Biennial Total	REDUCTION AMOUNT 2020	2021	Biennial Total	PROGRAM AMOUNT 2020	2021	TARGET Biennial Total
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$85,239	$85,239	$170,478			
General Revenue Funds Total	**$0**	**$0**	**$0**	**$85,239**	**$85,239**	**$170,478**			
Item Total	**$0**	**$0**	**$0**	**$85,239**	**$85,239**	**$170,478**			

FTE Reductions (From FY 2020 and FY 2021 Base Request)

5 Poverty Related Funds/HHSP

Category: Programs - Service Reductions (Contracted)

Item Comment: 562.0 fewer persons served with Homeless Housing and Services Program

Strategy: 3-1-1 Administer Poverty-related Funds through a Network of Agencies

Item Priority and Name/ Method of Financing	REVENUE LOSS 2020	2021	Biennial Total	REDUCTION AMOUNT 2020	2021	Biennial Total	PROGRAM AMOUNT 2020	2021	TARGET Biennial Total
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$219,186	$219,186	$438,372			
General Revenue Funds Total	**$0**	**$0**	**$0**	**$219,186**	**$219,186**	**$438,372**			
Item Total	**$0**	**$0**	**$0**	**$219,186**	**$219,186**	**$438,372**			

FTE Reductions (From FY 2020 and FY 2021 Base Request)

6 Housing Trust Fund-Amy Young

Category: Programs - Service Reductions (Contracted)

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

Item Priority and Name/ Method of Financing	REVENUE LOSS 2020	2021	Biennial Total	REDUCTION AMOUNT 2020	2021	Biennial Total	PROGRAM AMOUNT	TARGET Biennial Total
Item Comment: 7.0 fewer households served								
Strategy: 1-1-4 Provide Funding through the Amy Young Barrier Removal (AYBR) - HTF								
General Revenue Funds								
1 General Revenue Fund	$0	$0	$0	$85,239	$85,239	$170,478		
General Revenue Funds Total	**$0**	**$0**	**$0**	**$85,239**	**$85,239**	**$170,478**		
Item Total	**$0**	**$0**	**$0**	**$85,239**	**$85,239**	**$170,478**		
FTE Reductions (From FY 2020 and FY 2021 Base Request)								
7 Poverty Related Funds/HHSP								
Category: Programs - Service Reductions (Contracted)								
Item Comment: 562.0 fewer persons served with Homeless Housing and Services Program								
Strategy: 3-1-1 Administer Poverty-related Funds through a Network of Agencies								
General Revenue Funds								
1 General Revenue Fund	$0	$0	$0	$219,186	$219,186	$438,372		
General Revenue Funds Total	**$0**	**$0**	**$0**	**$219,186**	**$219,186**	**$438,372**		
Item Total	**$0**	**$0**	**$0**	**$219,186**	**$219,186**	**$438,372**		
FTE Reductions (From FY 2020 and FY 2021 Base Request)								

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
Item Priority and Name/ Method of Financing	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**
8 Housing Trust Fund-Amy Young									
Category: Programs - Service Reductions (Contracted)									
Item Comment: 7.0 fewer households served									
Strategy: 1-1-4 Provide Funding through the Amy Young Barrier Removal (AYBR) - HTF									
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$85,239	$85,238	$170,477			
General Revenue Funds Total	**$0**	**$0**	**$0**	**$85,239**	**$85,238**	**$170,477**			
Item Total	**$0**	**$0**	**$0**	**$85,239**	**$85,238**	**$170,477**			
FTE Reductions (From FY 2020 and FY 2021 Base Request)									
9 Poverty Related Funds/HHSP									
Category: Programs - Service Reductions (Contracted)									
Item Comment: 562.0 fewer persons served with Homeless Housing and Services Program									
Strategy: 3-1-1 Administer Poverty-related Funds through a Network of Agencies									
General Revenue Funds									
1 General Revenue Fund	$0	$0	$0	$219,185	$219,185	$438,370			
General Revenue Funds Total	**$0**	**$0**	**$0**	**$219,185**	**$219,185**	**$438,370**			

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

	REVENUE LOSS			REDUCTION AMOUNT			PROGRAM AMOUNT		TARGET
Item Priority and Name/ Method of Financing	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**	**2020**	**2021**	**Biennial Total**
Item Total	**$0**	**$0**	**$0**	**$219,185**	**$219,185**	**$438,370**			
FTE Reductions (From FY 2020 and FY 2021 Base Request)									
AGENCY TOTALS									
General Revenue Total				**$1,217,699**	**$1,217,698**	**$2,435,397**			**$2,435,397**
Agency Grand Total	**$0**	**$0**	**$0**	**$1,217,699**	**$1,217,698**	**$2,435,397**			**$2,435,397**
Difference, Options Total Less Target									
Agency FTE Reductions (From FY 2020 and FY 2021 Base Request)									
Article Total				**$1,217,699**	**$1,217,698**	**$2,435,397**			
Statewide Total				**$1,217,699**	**$1,217,698**	**$2,435,397**			