

Arizona Department of Housing

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	3.0	3.0	3.0
Personal Services	234,100	309,300	309,300
Employee Related Expenditures	88,800	69,100	69,100
Professional and Outside Services	6,300	0	0
Travel - In State	5,300	0	0
Other Operating Expenditures	32,700	10,400	10,400
Equipment	3,900	0	0
OPERATING SUBTOTAL	371,100	388,800	388,800
SPECIAL LINE ITEMS			
Homeless Shelter and Services Fund Deposit	40,000,000	0	0
Housing Trust Fund Deposit	150,000,000	15,000,000	0
Military Transitional Housing Fund Deposit	1,900,000	0	0
Mobile Home Relocation Fund Deposit	5,000,000	0	0
AGENCY TOTAL	197,271,100	15,388,800	388,800 ^{1/}
FUND SOURCES			
General Fund	196,900,000	15,000,000	0
<u>Other Appropriated Funds</u>			
Housing Trust Fund	371,100	388,800	388,800
SUBTOTAL - Other Appropriated Funds	371,100	388,800	388,800
SUBTOTAL - Appropriated Funds	197,271,100	15,388,800	388,800
Other Non-Appropriated Funds	13,244,000	18,720,400	18,720,400
Federal Funds	205,215,900	166,315,500	166,315,500
TOTAL - ALL SOURCES	415,731,000	200,424,700	185,424,700

AGENCY DESCRIPTION — The department administers state and federal affordable housing programs, including the state and federal low-income housing tax credits, the Housing Trust Fund, and a portion of Arizona's federal Section 8 Housing Voucher program. It also administers the Office of Manufactured Housing, which regulates the production, installation and sale of manufactured homes, factory-built buildings, mobile homes, and accessory structures

FOOTNOTES

1/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$388,800 and 3 FTE Positions from the Housing Trust Fund in FY 2026 for the operating budget. These amounts are unchanged from FY 2025.

Homeless Shelter and Services Fund Deposit

The Baseline includes no funding in FY 2026 for a Homeless Shelter and Services Fund deposit. These amounts are unchanged from FY 2025.

Background - The FY 2024 Human Services Budget Reconciliation Bill (BRB) established the Homeless Shelter

and Services Fund. Monies from the fund shall be used to award grants to counties, cities, towns, Indian tribes and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness.

The FY 2024 General Appropriations Act included an FY 2023 supplemental appropriation of \$20,000,000 for Homeless Shelter and Services. That amount was not deposited in the Homeless Shelter and Services Fund, as it did not yet exist.

Laws 2024, Chapter 209, Section 120 clarifies that monies appropriated to the Homeless Shelter and Services Fund

in FY 2024 are non-lapsing through FY 2025. The monies were previously available to spend through FY 2027.

The fund had an FY 2024 ending balance of \$34,947,700 and a projected FY 2025 balance of the same amount.

Housing Trust Fund Deposit

The Baseline includes no funding from the General Fund in FY 2026 for a Housing Trust Fund deposit. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2026 for the elimination of a one-time deposit into the Housing Trust Fund.

Background - The Housing Trust Fund develops projects and programs providing housing opportunities for low- and moderate-income households and housing affordability programs.

The fund had an FY 2024 ending balance of \$195,964,200 and a projected FY 2025 balance of \$170,499,800.

Other Issues

Auditor General Report

In October 2024, the Auditor General published an audit on oversight of selected housing programs and a sunset review of DOH.

Oversight of Selected Housing Programs

The report found that the Department did not provide adequate oversight of affordable housing projects, including not conducting required monitoring reviews, site inspections, and risk assessments. Additionally, the Department approved and paid grantee requests without verifying that expenses were for allowable purposes. The report recommended that DOH should implement a written plan for providing program oversight and recover monies paid to grantees for unallowable expenses. The Department agreed with the audit recommendations.

Sunset Review

The report found that the Department lacked a comprehensive process to track and evaluate program performance, failed to develop wire transfer policies to prevent fraud, lacked processes for identifying regulatory activity costs, and did not assign responsibility to manufactured home licensees to repair home defects within 120 days. The Auditor General made the following key recommendations:

- Develop and implement policies to measure program performance, establishing specific goals to assess and report on program outcomes.
- Develop and implement procedures that require use of a secure method to verify wire transfers.
- Identify costs of manufactured housing and building regulatory activities to align fees with these costs.
- Assign responsibility to resolve consumer-manufactured home complaints within 120 days.

DOH did not agree to 4 of the 12 recommendations related to reporting outcomes to the Legislature, complaint handling, and manufactured housing and building fee setting.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
CDBG-CV CARES Act Fund (HDA2976/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the Community Development Block Grant program.		
Purpose of Fund: To provide housing, permanent jobs, public services, or new or improved infrastructure to prevent, prepare for and respond to the COVID-19 pandemic.		
Funds Expended	3,299,900	1,963,200
Year-End Fund Balance	2,800	2,900
Consumer Recovery Fund (HDA3090/A.R.S. § 41-4041)		Non-Appropriated
Source of Revenue: Fees charged to dealers and brokers of manufactured homes, mobile homes, or factory-built buildings designed for residential use.		
Purpose of Fund: To provide consumer and license education in connection with the manufactured housing and factory-built building industry and to make payments on damage claims filed by consumers of these types of residential buildings.		
Funds Expended	47,500	49,900
Year-End Fund Balance	697,000	692,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Coronavirus State and Local Fiscal Recovery Fund (HDA2985/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal COVID-19 response legislation for the State and Local Fiscal Recovery program.		
Purpose of Fund: Provides funding to respond to the pandemic and its negative economic impacts, provide premium pay to workers performing essential work, restore cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts, and invest in water, sewer, or broadband infrastructure.		
Funds Expended	16,392,700	37,906,300
Year-End Fund Balance	9,877,800	10,664,000
DPS-FBI Fingerprint Fund (HDA2159/A.R.S. § 41-1750)		Non-Appropriated
Source of Revenue: Revenues include fees collected from fingerprint clearance cards.		
Purpose of Fund: Revenues are transferred to the Department of Public Safety (DPS) to process fingerprint clearance cards.		
Funds Expended	6,500	6,800
Year-End Fund Balance	5,600	7,800
Federal Funds (HDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for affordable housing programs.		
Purpose of Fund: To be expended as stipulated by federal statutes authorizing the federal grants.		
Funds Expended	105,061,600	105,495,900
Year-End Fund Balance	6,987,600	10,597,100
Federal Grant - American Recovery and Reinvestment Act (ARRA) (HDA2999/A.R.S. § 35-142)		Federal Funds
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for the weatherization of homes, energy efficiency and usage reduction, and appliance rebates.		
Funds Expended	0	0
Year-End Fund Balance	518,500	673,700
HOME ARPA Fund (HDA8610/A.R.S. § 41-3955)		Federal Funds
Source of Revenue: Monies received by the state from the Federal HOME-American Recover Plan Act (HOME-ARP).		
Purpose of Fund: To assist in providing supportive services, non-congregate shelter, rental housing, nonprofit operating an capacity building assistance, and planning and administration.		
Funds Expended	5,260,900	5,262,100
Year-End Fund Balance	1,100	100
Home Investment Partnership Act Fund (HDA1410/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the U.S. Department of Housing and Urban Development (HUD).		
Purpose of Fund: Provide decent affordable housing to lower income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, leverage private sector participation.		
Funds Expended	14,640,600	14,839,400
Year-End Fund Balance	9,677,400	7,666,800
Homeless Shelter and Services Fund (HDA3888/Laws 2023, Ch. 141)		Non-Appropriated
Source of Revenue: Legislative appropriation		
Purpose of Fund: To award grants to counties, cities, towns, Indian tribes, and nonprofit organizations for programs that provide shelter and services to unsheltered persons who are experiencing homelessness. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	34,947,700	34,947,700

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Homeowner's Assistance Fund (HDA2986/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds appropriated in the American Rescue Plan Act		
Purpose of Fund: To assist homeowners experiencing financial hardship due to the Coronavirus. Funds may be used for assisted payments for mortgages, utilities, insurance and other specified purposes.		
Funds Expended	59,937,800	530,100
Year-End Fund Balance	413,200	(116,900)
Housing Choice Voucher Emergency Housing Fund (HDA3202/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal Funds for housing assistance		
Purpose of Fund: To provide rental assistance to individuals and families who are experiencing homelessness or are at risk of experiencing homelessness.		
Funds Expended	300,100	304,900
Year-End Fund Balance	45,500	110,600
Housing Program Fund (HDA2200/A.R.S. § 41-3957)		Non-Appropriated
Source of Revenue: Fees received from the following programs: private activity bond (underwriting and hearings), low-income tax credit (application, monitoring and reservation fees), gifts, grants, matching monies, direct payments, fees, or cost reimbursements from public or private entities in connection with housing programs, including loan repayments.		
Purpose of Fund: To pay the costs of administering the programs from which the deposits are received and for other department programs.		
Funds Expended	7,166,900	12,640,600
Year-End Fund Balance	49,801,700	57,728,500
Housing Stability Counseling Fund (HDA9919/A.R.S § 35-142)		Federal Funds
Source of Revenue: Monies received by the state from the Federal American Rescue Plan.		
Purpose of Fund: To support housing counseling for households facing housing instability.		
Funds Expended	322,300	13,600
Year-End Fund Balance	56,100	209,600
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund. Laws 2023, Chapter 133 included a one-time, non-lapsing deposit of \$150,000,000.		
Purpose of Fund: The appropriated portion pays for administration expenses and may not exceed 10% of the Housing Trust monies. Please see the Non-Appropriated portion of the fund for additional information.		
Funds Expended	371,100	388,800
Year-End Fund Balance	195,964,200	170,499,800
Housing Trust Fund (HDA2235/A.R.S. § 41-3955)		Non-Appropriated
Source of Revenue: The Housing Trust Fund receives its \$2,500,000 annual unclaimed property deposit after the first \$2,000,000 in unclaimed property revenues are distributed to the Department of Health Services Seriously Mentally Ill Housing Trust Fund. The fund also receives monies from loan repayments and interest from the State Treasurer. A.R.S. § 35-751 redirects fees from the Arizona Industrial Development Authority's single-family mortgage program from the department's ISA and IGA Fund to the Housing Trust Fund. Laws 2023, Chapter 133 included a one-time, non-lapsing deposit of \$150,000,000.		
Purpose of Fund: The non-appropriated portion of the fund is used for developing projects and programs to provide housing opportunities for low and moderate income households and for housing affordability programs, including the operation, construction, or renovation of housing and shelter facilities. A portion of the monies shall be allocated exclusively to housing programs in rural areas, and the department may also allocate monies in the fund to construction or renovation of facilities and housing assistance, including support services, for individuals determined to be seriously mentally ill and chronically resistant to treatment. Expenditures are not displayed to avoid double-counting of the General Fund. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	195,964,200	170,499,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
IGA and ISA Fund (HDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Reimbursements to the department from the Arizona Department of Economic Security for the administration of the Federal Low-Income Housing Energy Assistance Program (LIHEAP).		
Purpose of Fund: To enable the department to administer a portion of the LIHEAP which provides direct weatherization and energy improvements to homes owned by low-income homeowners.		
Funds Expended	6,023,100	6,023,100
Year-End Fund Balance	0	1,900
Manufactured Housing Cash Bond Fund (HDA3722/A.R.S. § 41-4029)		Non-Appropriated
Source of Revenue: Cash deposits made by housing manufacturers and installers prior to the granting of an original license. Applicants must make a cash deposit for each branch location of their operation.		
Purpose of Fund: To compensate consumers in cases where a licensee fails to perform sales or installation agreements or repairs under warranty; and to make payment to the department if the licensee fails to pay any fees or costs owed.		
Funds Expended	0	0
Year-End Fund Balance	704,000	720,300
Military Transitional Housing Fund (HDA3808/A.R.S. § 41-3955.02)		Non-Appropriated
Source of Revenue: Federal monies.		
Purpose of Fund: To provide transitional housing opportunities for military members separating from the military in newly constructed housing facilities. The department may not use more than 10% of fund monies to administer the fund. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	1,900,000	1,900,000
Mobile Home Relocation Fund (HDA2237/A.R.S. § 33-1476.02)		Non-Appropriated
Source of Revenue: Assessments collected from mobile home owners who do not own the land upon which the mobile home is located and interest earnings. Once the fund balance reaches \$8,000,000, assessments will no longer be collected and the only revenue will be from interest. Assessment would resume when the fund balance at the end of a fiscal year is less than \$6,000,000. Also receives monies from a 10% surcharge from any civil monetary penalties levied on mobile home park managers. The fund received a \$5,000,000 appropriation in FY 2024. General Fund expenditures are not displayed to avoid double counting.		
Purpose of Fund: To pay for relocations due to rental increases and to pay premiums and other costs of purchasing insurance coverage for tenant relocation costs due to a change in property use pursuant to A.R.S. § 33-1476.01. If such insurance is not available, or if the insurance costs exceed the amount available from the fund, the fund is used to make direct payments for tenant relocation costs.		
Funds Expended	0	0
Year-End Fund Balance	12,564,200	17,385,800