

FLORIDA TAXWATCH BRIEFING

APRIL 2019

The Legislature Must Stop Diverting Affordable Housing Funding

There is an affordable housing crisis in Florida. It is truly a nationwide problem, but it is especially acute in the Sunshine State. The availability of affordable housing for lower-income families in Florida is lower than almost all other states, and most of those at the lower end of the income scale that do have places to live are overburdened with housing costs they cannot afford.

A lack of affordable housing hurts our most vulnerable populations: the poor, children, the elderly, persons with special needs, and veterans. Many working Floridians also find it difficult to live in the communities in which they work. Median incomes do not match median home prices, putting home ownership out of reach for many, including people with critical jobs such as teachers, EMTs, police, and firefighters.

A lack of affordable housing also carries significant social costs. It harms the health and educational prospects of children, it limits the self-sufficiency of the elderly and those with special needs, and it increases the costs associated with the homeless population. Conversely, investing in affordable housing reduces those costs while also providing the inherent economic benefits that accompany construction activity.

In 1992, acknowledging the importance of affordable housing, the Legislature created a dedicated source of funding state and local programs. Unfortunately, it has not really been dedicated, as these funds have become more of a pot of money for legislators to use to balance the budget or fund other initiatives. In fact, over the last ten years, more of these funds have been diverted to other uses than have been appropriated for affordable housing programs.

In 2017, the Florida Legislature created the Affordable Housing Workgroup and tasked it with reviewing housing in Florida, with a focus on affordable rental housing. The workgroup was also directed to develop strategies and make recommendations to improve the availability of affordable housing in Florida.

The workgroup's first recommendation was that the Legislature should appropriate all funds in the State and Local Government Housing Trust Funds (collectively herein referred to as Housing Trust Funds) solely for Florida's affordable housing programs.¹

The 2018 Legislature responded by sweeping \$182.0 million from the funds, while appropriating only \$123.6 million for affordable housing programs.

¹ Florida Finance Housing Corporation, Affordable Housing Workgroup Final Report 2017.

WHAT IS AFFORDABLE HOUSING?

"Affordable housing" refers to privately owned housing that receives a subsidy to bring its rent or purchase price down to a level affordable to a low- or moderate-income family. Housing is generally considered affordable if it costs no more than 30 percent of a household's income. Except for the subsidy, affordable housing is indistinguishable from market-rate housing—it has the same architectural and landscaping styles and often has basic amenities like energy efficient appliances and community gathering spaces. Substandard housing is, by definition, not affordable housing.

Definition from Florida Housing Coalition, Home Matters 2018.

FLORIDA'S AFFORDABLE HOUSING CRISIS

In Florida, there are only 26 affordable and available housing units for every 100 “extremely low-income”² renter households.³ This is the sixth-smallest percentage of available units in the nation and well below the national average of 36 percent. It is the lowest in the southeast and of the 10 largest states, only California has a lower percentage. Florida fares even worse further up the income scale with affordable housing available to only 35 percent of families with income less than 50 percent of the Area Median Income (AMI) and 79 percent of those at 80 percent or less of AMI. These are the second and third lowest percentages, respectively, in the nation.⁴

And while most states have a surplus of affordable housing for all households below 100 percent of AMI, Florida is one of only seven states with a deficit.

Among metropolitan areas, Orlando is tied with Los Angeles for the second lowest percentage (17 percent) of affordable housing available to extremely low-income families, trailing only Las Vegas. Miami and Tampa are in the bottom 10 and Jacksonville has the 17th lowest percentage.

Many Floridians that do have housing find that they are overburdened by housing costs. While the general standard for affordable housing is housing costs of less than 30 percent of income, there are almost 100,000 very low-income Florida households that pay more than 50 percent of their incomes for housing.⁵ Housing costs have 89 percent of very low-income Floridians “cost burdened” (30 percent of income) and 79 percent are “severely cost burdened” (50 percent of income).⁶

Florida also has the third largest homeless population in the nation, with 32,190 people living in homeless shelters and on the streets. This includes 2,817 veterans and 9,422 people in families with at least one child.⁷

Additionally, Florida is losing affordable housing stock. The limited supply of affordable rental housing for low-income families is continually shrinking. Subsidized rental units must keep rents affordable for a set period of time after which the units may be lost from the affordable housing stock. Other events, including foreclosure and the owner prepaying the mortgage to end the affordability period early, can also result in lost affordable housing.

Between 1993 and 2016, Florida lost over 59,000 units of privately owned, subsidized rental units and another 35,000 units are at risk of being lost by 2030. This represents 14 percent of Florida's private, subsidized affordable housing stock.⁸

AFFORDABLE HOUSING: THE COST OF NOT ACTING

The lack of affordable housing carries with it significant social costs. The absence of a stable place to live is linked to poor physical and mental health for both parents and children and can cause children to fall behind in school. Affordable housing can improve health and educational outcomes, reducing the public costs associated with illness and poor school performance.

Lack of affordable housing for seniors and people with disabilities increases public costs, as institutional care is significantly costlier than home and community-based care. Half of Florida's veterans are 65 years or older and some may find it increasingly difficult to pay for property taxes, home repairs, and accessibility improvements, making it harder to stay in their homes.

Florida's significant homeless population increases costs for public safety, healthcare, and other crisis services such as mental health and substance abuse treatment.

In addition to decreasing social costs, building affordable housing produces many economic benefits. Affordable housing development, like all construction and rehabilitation projects, can boost economic growth, providing direct, indirect, and induced impacts. Builders hire workers and purchase materials from local suppliers. The suppliers, in turn, purchase additional materials and

2 Households with incomes at or below the Poverty Guideline or 30% of Area Median Income, whichever is higher.

3 National Low Income Housing Coalition, *The GAP: A Shortage of Affordable Homes*, March 2018.

4 Ibid.

5 The Florida Housing Coalition, *Home Matters 2018*.

6 National Low Income Housing Coalition, *The GAP: A Shortage of Affordable Homes*, March 2018.

7 The Florida Housing Coalition, *Home Matters 2018*.

8 Shimberg Center for Housing Studies, *Lost Properties Inventory data for Florida, 2017 and 2016 Rental Market Study*.

labor to fill the developer's order. The workers then spend their wages locally, further stimulating the economy.⁹

Once built, the residents create demand for ongoing jobs to provide their goods and services. Families living in affordable housing have more discretionary income to spend, further boosting the local economy. Adequate affordable workforce housing also plays an important role in economic development, making a location much more attractive for new and expanding businesses. When local housing costs are out of reach for entry-level and mid-level employees, employers find it difficult to attract skilled workers, increasing costs associated with employee absenteeism and turnover.

FUNDING FOR FLORIDA AFFORDABLE HOUSING PROGRAMS

The Florida Housing Finance Agency (now called the Florida Housing Finance Corporation) was created in 1980, primarily to make loans to first-time homeowners and developers of affordable rentals. These loans were funded through the sale of federal bonds. Finding this approach insufficient on its own, the Legislature began appropriating state funds for affordable housing in the late 1980s. This was funded with General Revenue and the competition for dollars with education, human services, and public safety resulted in unreliable and insufficient funding.

In 1992, the William E. Sadowski Act was enacted to create a dedicated funding source. A portion of the state documentary stamp ("doc stamp") tax on real estate transactions was deposited into two newly created trust funds—the State Housing Trust Fund and the Local Government Housing Trust Fund.

For the first ten years, all monies in the funds were appropriated for housing programs. In FY2003-04, responding to a budget deficit caused by a recession, the Legislature "swept"¹⁰ the Housing Trust Funds for the first time, diverting \$126 million to General Revenue.

Another \$221 million was diverted the next year. Then the economy started picking up steam and the housing bubble created an explosion of real estate activity which, in turn, created an explosion in doc stamp taxes. Over the next three years, the Legislature refrained from sweeping Housing Trust Funds and appropriated more than \$1 billion for affordable housing. While the Housing Trust Funds were technically not swept, a \$243 million cap on the amount of doc stamp revenue that could go into the funds was enacted, reducing Housing Trust Fund revenues by approximately \$50 million in FY2007-08. The cap was removed in 2011, but the creation of the State Economic Enhancement and Development (SEED) Trust Fund (funded with doc stamp revenue), reduced affordable housing distributions from 14.8 percent in FY 2011-12 to 10.2 percent in FY 2012-13. This has resulted in a reduction of Housing Trust Fund revenues of approximately \$75 million annually.

Doc stamp tax revenues are distributed through a complicated formula to a myriad of funds. The biggest beneficiary is General Revenue, which receives the remainder after trust fund distributions are made. Of the estimated \$2.6 billion in total doc stamp revenue expected to be collected in FY 2018-19, General Revenue will receive more than \$1 billion.¹¹ The Land Acquisition Trust Fund will receive \$870 million to fund environmental bond debt service and other environmental programs.¹² Other major distributions include the State Transportation Trust Fund (\$318 million) and the SEED Trust Fund (\$75 million).

The percentage going to the Housing Trust Funds changes slightly from year to year, but it is currently 12 percent of total collections, producing \$318 million in FY2018-19. Of that amount, 70 percent goes to the Local Government Housing Trust Fund and 30 percent goes to the State Housing Trust Fund.

9 Wardrip, K., Williams, L., and Hague, S., *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature*, Center for Housing Policy, 2011.

10 A "sweep" is the transfer or diversion of the money from trust funds to General Revenue by the Legislature, where the lawmakers can use it to fund anything.

11 Including \$142 million in General Revenue "service charges", Most state trust fund revenue is assessed an 8 percent GR service charge. An 8 percent charges is levied against - all remaining doc stamp revenues after the distribution to the Land Acquisition Trust Fund is made.

12 Constitutional Amendment 1, approved by the voters in 2014, requires 33 percent of doc stamp revenues to be deposited in the Land Acquisition Trust Fund.

The two main affordable housing programs funded with Housing Trust Funds dollars are the State Housing Initiatives Partnership Program (SHIP) and the State Apartment Incentive Loan Program (SAIL). SHIP provides sustainable homeownership and rental housing for Florida’s workforce, helps prevent homelessness, and provides emergency repairs and disaster recovery for Florida’s most vulnerable residents, including the frail elderly, persons with disabilities, and veterans. SAIL produces apartments for Florida’s workforce, rehabilitates existing apartments and apartments that house Florida’s the elderly and persons with disabilities who might otherwise need to live in an institutional setting.

The Sadowski Housing Coalition estimated that using all of the Housing Trust Funds funds for affordable housing expenditures in 2018 would have created over 28,000 jobs, \$1.4 billion in labor income and more than \$4 billion in total positive economic impact in Florida.¹³

TRUST FUND SWEEPS

The state’s reliance on trust funds is increasing. In 1980, trust funds comprised 50 percent of the state budget and General Revenue made up the other half. Use of trust funds has increased over time, reaching a high of 68 percent in 2010. Today, trust funds make up 62 percent of the state budget.

Trust funds are created by law in order to ensure revenues are available to fund specific needs. Statutes specify the revenue sources for the trust funds and designate how the money can be spent. Usually, the revenue source has a relationship to the uses of the funds. For example, gas taxes to fund road building or fees paid by a certain industry to pay for its regulation. This creates a kind of social contract, a pledge to those who pay money to the state that their funds will be used for a specific purpose. Unfortunately, that trust is not always kept.

The Legislature routinely “sweeps” hundreds of millions of dollars—transferring the money from trust funds to General Revenue, where the lawmakers can use it to fund anything. This is routinely done in times of budget shortfalls, but trust funds are often swept to fund new initiatives or tax cuts.

¹³ Sadowski Housing Coalition and the Center for Economic Forecasting and Analysis, Florida State University, 2017.

TABLE 1. TEN YEARS OF HOUSING TF APPROPRIATIONS AND SWEEPS
(\$ millions)

Fiscal Year	Appropriations			Trust Fund Sweeps		
	Local Housing TF	State Housing TF	Total	Local Housing TF	State Housing TF	Total
2018-19	\$86.840	\$36.790	\$123.630	\$127.400	\$54.600	\$182.000
2017-18	\$109.000	\$28.000	\$137.000	\$95.130	\$59.270	\$154.400
2016-17	\$135.500	\$64.600	\$200.100	\$86.500	\$30.414	\$116.914
2015-16	\$105.000	\$70	\$175.000	\$75.000	\$6.000	\$81.000
2014-15	\$100	\$67.660	\$167.660	\$91.853	\$14.298	\$106.151
2013-14	0	0	0	\$151.500	\$52.730	\$204.230
2012-13	0	\$10	\$10	\$66.845	\$29.815	\$96.660
2011-12	0	0	0	\$133.187	\$56.344	\$189.531
2010-11	0	\$37.500	\$37.500	\$148.339	\$25.921	\$174.260
2009-10	\$31.110	0	\$31.110	\$55.070	\$36.830	\$91.900
Total	\$567.450	\$314.550	\$882.000	\$1030.824	\$366.222	\$1,397.046

Source: Florida TaxWatch, using Florida General Appropriations Acts, January 2019.

By far the biggest source of these sweeps is the State Housing and Local Government Housing Trust Funds. Nearly \$2 billion has been swept from these funds since the Legislature first raided them in 2003 in the face of a budget deficit caused by a recession. When the economy picked up, the sweeps stopped for three years, only to begin again in 2008 when the Great Recession began wreaking havoc on state revenues and the budget. When economy began improving again however, the sweeps did not stop, and they continue today.

Over the last ten years, the Legislature has swept nearly \$1.4 billion from the Housing Trust Funds, far exceeding the \$882 million appropriated for affordable housing (see Table 1).

This session, there is a chance to reverse this trend. In its recently passed budget, the House proposes to sweep \$200 million from the housing funds into general revenue, spending only \$123.6 million on housing—all dedicated to hurricane recovery. However, the Senate proposes that—for the first time in more than ten years—that the housing trust funds not be swept and affordable housing programs be fully funded at \$331.9 million.

Florida TaxWatch has cautioned against the overuse of trust fund sweeps and has offered recommendations to make the process more transparent and ensure that each sweep is thoroughly debated and analyzed.¹⁴

LEGISLATION FILED TO STOP THE RAID ON AFFORDABLE HOUSING FUNDS

Legislation has been filed for the 2019 Session to help keep affordable housing funds used for affordable housing. Senate Bill 70 (Mayfield) and HB 1103 (Silvers) amend the law that allows the Legislature to transfer money from trust funds to General Revenue.¹⁵ The bills would add the State Housing Trust Fund and the Local Government Housing Trust Fund to the list of trust funds that Legislature is prohibited from sweeping. The list currently includes the State Transportation Trust Fund, the Educational Enhancement (Lottery) Trust Fund, the Florida Retirement System Trust Fund, and others.

¹⁴ Florida TaxWatch, Putting the Trust Back in Trust Funds, March 2014.
¹⁵ Section 215.32 (2), Florida Statutes.

HB 353 (Polsky) and SB 1504 (Berman) amend the sections¹⁶ that created the two housing trust funds, requiring that any money transferred from the funds must be repaid in five years. The bills also require any agency receiving money transferred from the housing trust funds to produce a report “identifying with specificity the manner in which the funds were spent.” Since trust fund sweeps go into GR, it is unclear how the agency receiving the funds would be identified.

Legislation filed last year to prohibit the sweeping of the housing trust funds did not fare well. SB 874 (Passidomo) was approved by one committee early in the session but then stalled. HB 191 (Shaw) never got a hearing. Instead, the 2018 Legislature swept \$182 million from the Housing Trust Funds. Unfortunately, with only four weeks left in the 2019 Legislation, this year’s legislation seems headed for the same fate.

CONCLUSION

Florida is facing an affordable housing crisis. Home ownership, as well as adequate rental housing, has become more and more elusive for many Floridians. The United Way of Florida estimates that the “survival wage” for a household with two adults, one infant, and one preschooler is \$26.93 per hour (2016 dollars), or \$13.47 per hour for each adult. Unfortunately, 37 percent of all jobs in Florida are in occupations with a median income of less than that “survival wage.”

In Florida, there are only 26 affordable and available housing units for every 100 “extremely low-income” renter households. Nearly 2 million low-income Florida households are paying more than 30% of their incomes for housing, including more than 600,000 households headed by seniors and more than 600,000 households that have a member with a disability. More than 900,000 very low-income Floridians are severely cost-burdened, meaning that they pay more than 50% of their incomes for housing.

Lack of affordable housing carries significant social costs. It harms the health and educational prospects of children, it limits the self-sufficiency of the elderly and those with special needs, and it increases costs associated with the

¹⁶ Sections 420.0005 and 420.9079, Florida Statutes.

homeless population. Conversely, investing in affordable housing reduces those costs while also providing the economic benefits inherent in construction activity.

The Florida Legislature has not helped this situation by taking money from the Housing Trust Funds and spending it on other things. In fact, over the last ten years, the Legislature has swept nearly \$1.4 billion from the Housing Trust Funds, far exceeding the \$882 million appropriated for affordable housing.

Extrapolating the Sadowski Coalition's estimate of the impact of spending all of the available trust fund revenues on affordable housing in 2019, the 2018 Legislature reduced the number of homes built, sold, renovated or retrofitted by 6,815 and the number of people housed by more than 17,000 when it swept \$182 million from the Housing Trust Funds. The positive economic impact was also reduced by \$2.3 billion and nearly 16,000 fewer jobs were created.

The legislatively-created Affordable Housing Workgroup estimates that trusts funds sweeps have resulted in 165,000 units, mainly homeownership, not being funded or built.

Also, each dollar of the Housing Trust Funds leverages \$4 to \$6 in private investment, federal tax credits, and other funding sources.

The Housing Trust Fund sweeps are often portrayed by lawmakers as being necessary to fund critical items in the budget. Last year, the Senate resisted sweeping the funds, until relenting in conference negotiations in order to fund school security enhancements in response to the Parkland school shootings.

This is not how the sweeps should be viewed. Instead, they should be thought of as funding the least important spending in the budget. That is, what could have been cut in order to balance the budget and fully fund affordable housing. Certainly, there was \$182 million out of the \$32.9 billion in General Revenue appropriated by the 2018 Legislature that provided less of a benefit to Florida taxpayers.

Trust fund sweeps are considered nonrecurring revenue and the budget contained \$560 million in nonrecurring spending for member projects. Although many of these projects are worthwhile, that would have been a good place to look.

Senate Bill 70 would help by adding the State Housing Trust Fund and the Local Government Housing Trust to the list of trust funds that Legislature is prohibited from sweeping. It must be noted the State Transportation Trust Fund (STTF) is already on that list, but the Legislature swept a total of \$330 from the STTF over the three-year period from 2009 to 2011, simply by adding language to the budget implementing bill to allow it.

Even if SB 70 passes this session, future legislatures will have to show restraint and leave that tempting big pot of affordable housing money alone. Unfortunately, with only four weeks left in the 2019 Session, none of these bills have received a committee hearing.

Most pressing, Florida TaxWatch urges the Legislature to adopt the Senate position during budget conference negotiations to not sweep the housing trust funds and fully fund affordable housing programs. Lawmakers should also continue to pursue legislation that can fulfill the promise of the William E. Sadowski Act by protecting a dedicated, dependable revenue source to fund vital affordable housing programs in Florida.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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