# Financing Housing Trust Funds

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Across the country, state housing trust funds use a wide variety of revenue sources. The most popular dedicated sources include interest on real estate broker's escrow accounts, document recording fees or documentary stamp taxes, real estate transfer taxes, and state general funds. Some more innovative sources include unclaimed lottery winnings, penalties on late property taxes, and eviction court fees. Some, such as California's, are unfunded and essentially defunct. In some states, such as Pennsylvania and California, the absence of an active state housing trust fund does not reflect a complete absence of trust fund activity: these states encourage and support the development of local county or city housing trust funds.

Ideally, a housing trust fund revenue source should: (1) have the potential to provide an adequate and steady stream of funding; (2) utilize an existing collection and administration structure or one that can be easily implemented; (3) not have a regressive impact on citizens' tax burdens, whether a new or existing tax/fee; and (4) have a logical relationship to its intended use to provide affordable housing[1].

As the table of revenue sources currently in use indicates, there are many potential revenue sources for housing trust funds and for Delaware's Housing Development Fund. While a $5 fee is currently assessed on document recording in Delaware, this revenue source brings in only approximately $1.2 million a year. For other revenue, the Housing Development Fund must rely on yearly appropriations from the General Fund. This can vary greatly from year to year and be subject to changes in the political climate. A larger dedicated revenue source, or smaller dedicated sources to supplement the document recording fee, would help to insulate the HDF from drastic swings in funding and insure adequate, ongoing, reliable revenue for affordable housing in Delaware.

State escheat funds (abandoned property) and the realty transfer tax are both attractive potential sources of revenue for the HDF which would not require the imposition of a new tax or fee. Currently undedicated funds from these sources could be earmarked for the HDF, as a percentage or set amount. The majority of revenues from both of these sources is currently unrestricted.

The realty transfer tax has proved a successful and reliable revenue source for many state housing trust funds. It is an ideal revenue source for several reasons: 1) its logical relationship to housing; 2) methods of collection and administration are often already in place; 3) it is a large potential "pot" of funding; and 4) as a housing market heats up, putting pressure on low-income households and increasing the need for affordable housing, revenues from the real estate transfer tax will increase, insuring ongoing support to affordable housing development and preservation.

[1] Economic & Planning Systems, Inc. *Colorado Housing Trust Fund Revenue Source Study*. Prepared for Colorado Housing Trust Fund Coalition, September 2002.

| Revenue Source | States |
|---|---|
| Bond revenues/fees | Kansas, New Hampshire |
| Broker escrow accounts | Minnesota, Connecticut |
| Document recording fees | *Delaware*, Missouri, Ohio |
| Documentary stamp tax | Florida, Nebraska |
| Eviction court fees | Oregon |
| Interest from loan base | Indiana |
| Loan repayment | Texas |
| Lottery funds | Kentucky |
| Penalties on late real estate taxes | Washington |
| real estate escrow interest | Washington, Wisconsin |
| Real estate transfer tax | Illinois, Maine, Nevada, New Jersey, South Carolina, Vermont |
| State funds | *Delaware*, Georgia, Kentucky, Massachusetts, Ohio, Utah, Minnesota, North |
| TANF/Section 8 reserves | Montana |
| Interest on tenant security deposits | Oregon |
| Title escrow accounts | Maryland |
| Unclaimed property fund | Arizona |
| Unfunded | Rhode Island, Idaho, California |